PROJECT

Effects of infrastructure investments on the labour market
Effekter av infrastrukturinvesteringar på arbetsmarknadens funktionssätt

Funding: National (Sweden)
Duration: Jan 2004 - Jan 2004
Status: Complete with results

Background & policy context:
The situation of the labour market varies in different parts of Sweden. The differences most probably depend on regional trade conditions but there are also reasons to believe that the differences depict how regional labour markets function in the long-term.

From a political point of view, as well as for efficiency reasons, these regional differences ought to be decreased. In connection to this, society's support of infrastructure in the different regions is often mentioned. Among other things this can be noticed in the national transport goal concerning regional development.

Objectives:
The aim of the project was to try to measure effects of infrastructure investments to labour market.

Methodology:
Two empirical models have been used for measuring effects throughout econometric methods. The first model started in search models for individual behaviour on the labour market, assuming a dynamic view of the individual as a person in search for new and "better" jobs.

The second empiric model was based on theoretical models from the so called "new economic geography" that explains geographical accumulations of economic activities as an interplay between transport costs, increasing scale-yield in production and migration of labour within different regions. In other words, how accessibility to surrounding regions' spending-power might explain regional variations in income as well as in employment.

Related Projects:

Parent Programmes:
Banverket 2000-2005 - Swedish National Rail Administration research and development programme 2000-2005

Institute type: Public institution
Institute name: The Swedish National Rail Administration
Funding type: Public (national/regional/local)

Partners:
VTI (the Swedish National Road and Transport Research Institute)

Organisation: VTI
Address: Forskargatan 3, Box 760
**Key Results:**

The result from the first model seems to indicate that the time the individual has been employed at the present job is declining within the time it takes to commute to work. This is also in line with the thought that individuals make adjustments on the labour market according to improvements of their possibilities to commute. Such adjustments to some extent also explain why local labour markets in Sweden have become larger.

The second model was tried out in two different papers. The first paper stated that higher time wages in metropolitan areas is due to the fact that these areas have a higher growth potential. The result from the second paper illustrates that the effects of the growth potential on a regions income varies in a considerable way depending on alternative models. Because of the great variety in results between different models the result has to be interpreted with caution.

**Policy implications**

- **STRIA Roadmaps:** Infrastructure
  - **Transport mode:** Multimodal transport
  - **Transport sectors:** Passenger transport, Freight transport
  - **Transport policies:** Societal/Economic issues
  - **Geo-spatial type:** Infrastructure Node