Glossary of terms used in LM-EM *

version 1.0

Absorption Rate: In LM-EM, Absorption Rate is a parameter used in the replacement demand module. It is occupation specific and refers to the rate (between zero and one) by which job openings due to the replacement demand for an occupation in a period are filled in the next period. Absorption rate of 1 for an occupation implies all the replacement demand related job openings for that occupation will be refilled.

Autoregressive Distributed Lags (ARDL): In statistics and econometrics, a distributed lag model is an approach for time series data in which a regression equation is used to predict current values of a dependent variable based on both the current values of an explanatory variable and the lagged (past period) values of this explanatory variable. In ARDL, the model is "autoregressive" in the sense that the dependent variable is explained (in part) by lagged values of itself and current and lagged values of one or more explanatory variables. ARDL model is an important approach for testing for the presence of long-run relationships between economic time-series.

Budget Deficit: The excess of central government's spending over its tax receipts.

Capital-Labour Ratio: The ratio of capital (i.e., already-produced durable goods or any non-financial asset that is used in production of goods or services) employed to labour employed. It is therefore the amount of capital used per unit of labour.

Debt-GDP Ratio: The ratio between a country's stock of government debt and its gross domestic product.

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* For the compilation of this glossary of terms, we have consulted and used various sources such as OECD Glossary of statistical terms, World Bank, International Monetary Fund, and Wikipedia. We have also defined some of the terms as they have been used in the Linked Macro-Education Model (LM-EM). We take full responsibility for any errors in this glossary.

Deficit-GDP Ratio: Refers to a country's budget deficit as a percentage of its gross domestic product.

Econometrics: The methods of applying statistical techniques to economic data in order to identify and test economic relationships.

Economic Growth: An increase in the amount of goods and services produced over a period of time.

Economic Model: A model is a representation of an object, a system, or an idea in some form other than that of the entity itself (Shannon). An economic model is a construct representing economic processes by a set of variables and of logical and/or quantitative relationships between them.

Exchange Rate: The price at which one currency can be converted into another.

Expansion Demand: The job openings in the economy due to economic growth.

Fiscal Policy: The use of government spending and taxation to influence the economy.

Foreign Direct Investment: Cross-border investment by a resident entity in one economy with the objective of obtaining a lasting interest in an enterprise resident in another economy.

GDP (Gross Domestic Product): A measure of economic activity in a country. It is calculated by adding the total value of a country's annual output of goods and services.

Government Final Consumption Expenditure: All government current expenditures for purchases of goods and services (including compensation of employees).

Growth: see Economic Growth

Higher Education Graduation Ratio: In LM-EM, this ratio refers to the number of graduates from higher education institutions as a ratio of the total number of 25 year olds, disaggregated by race.

Import Price Index: An import price index measures changes in the prices of imports of particular goods and services into a country. The index numbers for each reference period relate to prices of imports landed into the country during the period.

Inflation Targeting: A monetary policy rule in which a central bank sets an explicit target inflation rate for the economy and uses monetary policy to achieve and uphold that target.

Job Openings: The total number of jobs available in the economy due to economic growth (expansion demand) and vacancies that result from retirement, migration, mobility and mortality (replacement demand).

Job Seekers: The portion of the labour force that is not employed and is seeking employment.

Labour Demand: see Job Openings.

Labour Force: Refers to currently active working age population comprised of all persons who fulfil the requirements for inclusion among the employed or the unemployed during a specified reference period.

Labour Force Participation Rate: The labour force as a percentage of the working age population.

Labour Market Imbalance: The difference between the number of job seekers and job openings in a given period, in total, by occupation, or by skills.

Labour Market Qualification Mismatch: Refers to when the qualifications of workers and the qualification needed to fill available vacancies do not match. It is also referred to as "skills mismatch" and "skills shortage."

Labour Market Preference Mismatch: Refers to a mismatch between occupations that the unemployed are willing to take on and the existing vacancies in those occupations.

Labour Supply: See Labour Force

Labour Shortage (Excess Labour Demand): Refers to when the labour demand, in total or for a particular occupation or qualification, is greater than the corresponding labour supply under existing market conditions.

Labour Surplus (Excess Labour Supply): Refers to when the supply of labour, in total or in particular skill or occupation, is greater than the corresponding labour demand under existing market conditions.

Matriculation Ratio: In LM-EM, Matriculation Ratio refers to the number of learners attaining a National Senior Certificate as a ratio of the total number of 18 year olds, disaggregated by race.

Monetary Policy: Refers to the measures taken by the monetary authorities to achieve certain macroeconomic objectives.

Money supply: The entire stock of currency and other liquid instruments in a country's economy as of a particular time.

Multinomial Logistic Regression: Refers to a regression approach in statistics that is designed to predict the probabilities of the different possible outcomes of a categorically distributed dependent variable, given a set of independent variables, which may be real valued, binary-valued, categorical-valued, etc.

Occupational Demand: Refers to the amount of demand for employment in the economy for various categories of occupations.

Odd Ratios: The odds than an outcome will occur given a particular exposure, compared to the odds of the outcome occurring in the absence of that exposure.

Probability: is the measure of the likelihood (chance) that an event will occur.

Public Investment: Refers to the total investment by the general government and the public corporations.

Qualification Demand: Refers to the amount of demand for employment in the economy by the highest educational qualification of workers.

Real Effective Exchange Rate: A measure of the weighted average of a country's currency against an inflation-adjusted and trade-weighted index of other currencies.

Replacement Demand: Refers to job openings resulting from the departures of workers due to retirement, migration, mobility, and mortality.

SETA: Stands for Sector Education and Training Authority and refers to a vocational skills training organizations in South Africa. There are 21 different SETAs with jurisdiction in a specific industry.

Skills Gap or Skills Shortage: A divergence between the quantity of a given skill supplied by the workforce and the quantity demanded by employers under the existing market conditions (given the existing level of compensation and wage structure). A labour market situation in which there is a shortage of workers with the qualifications, skills or experience necessary to carry out the jobs in question. Sometimes it is referred to as “qualitative skills mismatch.” See also Labour Shortage and Labour Surplus.

Social Transfers in Kind: Goods and services provided to individual households by government units (including social security funds) and non-profit institutions serving households (NPISHs), whether purchased on the market or produced as non-market output by government units or NPISHs. The items provided include: (a) social security benefits, reimbursements, (b) other social security benefits in kind, (c) social assistance benefits in kind, and (d) transfers of individual non-market goods or services.

Stabilisation Policy: Refers to a package or set of discretionary fiscal and monetary policy measures and prorammes designed to stablise a country’s economic cycle.

Stabilisation Parameter: Refers to specific fiscal and monetary policy measures and programmes used as part of a stabilisation policy.

Terms of Trade: The ratio of an index of a country's export prices to an index of its import prices.

Unemployment: The number of workers who are available to work (in the labour force) but who are not working. Unemployment is equal to the labour force less employment.

Unemployment Rate: The number of unemployed as a percentage of the labour force.