WORKING PAPERS

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Skill Demand and Posted Wages.
Evidence from Online Job Ads in Austria

Working Paper No. 2002

August 2020

DEPARTMENT OF ECONOMICS

UNIVERSITY OF VIENNA

Skill Demand and Posted Wages. Evidence from Online Job Ads in Austria*

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Abstract

This study provides new evidence on skill requirements in the labor market and shows to what extent these skills are associated with higher wage offers. Using more than 380,000 job postings published on Austria's major employment website, I identify the most common skill requirements mentioned in job descriptions. Because employers in Austria are legally required to state the minimum remuneration for advertised positions, I can relate the skill content of jobs to offered wages using ad-level variation. Accounting for education, work experience, and firm and occupation fixed-effects, there exists a robust association between the number of skill requirements and wage offers. In particular, job ads with many skill requirements offer substantially higher wages. While I estimate large effects for managerial and analytical skills, associations with most soft skills are small. Overall, the analysis shows that skill requirements listed in online job ads can offer important insights on skill demand and skill wage differentials.

Keywords: Job postings, online job boards, skills, wage differentials

JEL Classification Numbers: J23, J24, J31

*I thank the Austrian public employment service (AMS) for helpful guidance. Furthermore, I am indebted to workshop and conference participants in Vienna (Arbeitsmarktworkshop 2018), Austin (IZA Junior-Senior Symposium 2019), Graz (NOeG 2019), Manchester (EEA 2019) and Uppsala (EALE 2019) for valuable comments and suggestions on earlier drafts of this paper.

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1 Introduction

Due to technological progress, labor markets around the world have been facing substantial changes in the demand for skills and their associated returns. A popular approach to measure skill demand is to refer to occupational dictionaries such as DOT or O*NET, which quantify the skill content of occupations and can readily be related to measures of pay or firm performance (see e.g. Autor et al., 2003). While these dictionaries provide a comprehensive and detailed summary of required skills, they only measure the average skill content of each occupation. In the analysis of skill returns, it is thus not feasible to account for unobserved differences between occupations. This paper follows an alternative approach and infers skill measures from online job ads which allow to gain valuable insights into the recent demand for skills and skill returns. Using more than 380,000 job posts published on the major employment website in Austria, I analyze job descriptions and identify the 14 most common skill requirements mentioned in ad texts. A useful feature of Austrian job ads is that employers are legally required to specify the minimum remuneration for each advertised vacancy. While employers are free to set higher wages, the posted wages cannot be below the industry- and occupation-specific collective bargaining wages. Exploiting ad-level variation in these wage posts, I can estimate associations between skill requirements and prospective pay. This paper is also a methodological contribution as I discuss the opportunities and limitations of job ads as a measure for skill demand in the labor market. More specifically, I examine what kind of information job postings comprise, how measured effects should be interpreted and to what extent measurement error can bias those estimates.

Numerous empirical studies have contributed to the literature on skill returns (Heckman et al., 2006; Lindqvist and Vestman, 2011; Autor and Handel, 2013; Hanushek et al., 2015). While most of these papers use common supply-side measures of cognitive and non-cognitive skills such as standardized test scores, I analyze skill requirements that are specified by the employer. In that sense, my analysis complements the existing literature by focussing on the demand side of skills. This study also relates to several previous studies on job vacancies. A rising number of papers exploits the new opportunities that online job boards offer to empirical researchers, ranging form studies on gender discrimination (Kuhn and Shen, 2012) to the effects of unemployment insurance programs (Marinescu, 2017). Two other recent studies have analyzed data on vacancies posted by the Austrian public employment services. Lalive et al. (2015) use the job listings to study market externalities of unemployment insurance programs, and

Kettemann et al. (2018) examine the impact of vacancy duration on starting wages. Compared to the data that I analyze in my paper, the two studies focus on vacancies which cover an earlier period (1987-2014) and do not contain ad text information to infer detailed skill requirements.

Closely related to my paper are recent studies by Deming and Kahn (2018) and Atalay et al. (2020) who are among the first to analyze the impact of skill measures derived from keywords in US job ads. The empirical analysis of Deming and Kahn (2018) demonstrates strong correlations between skill requirements and average pay, and they also find evidence for complementarities between cognitive and non-cognitive skills. Because I follow a data driven approach to identify the most frequent skill requirements mentioned in job ads, the skill dimensions analyzed in my study differ somewhat from the ten general skill groups defined in Deming and Kahn (2018). Another key difference concerns the measure of earnings. Since potential earnings are usually not reported in vacancy posts in the United States, they supplement the sample of job ads with external earnings data and calculate average pay by occupations and metropolitan statistical areas. Using data on Austrian vacancies instead, I am able to exploit variation in posted wages between ads, which allows to account for unobserved fixed-effects of firms and geographical regions.

In the first part of the analysis, I identify the most common keywords that describe the skill content of vacancies and group these into 14 different skill types. Despite a relatively short average text length of 180 words, I measure, on average, 1-2 skills per job ad. Vacancy posts for high-educated workers report more than twice as many skills than those for low educated. Whereas soft skills such as reliableness and teamwork competence are in high demand among employers who look for workers with a vocational degree or less, language and analytical skills are often frequented in posts for university graduates.

The second part of the analysis relates the skill measures to posted wages. Accounting for education requirements, prior work experience, and firm and occupation fixed-effects, I find that one additional skill increases posted wages by about one percent. Especially jobs with many skill requirements are associated with substantially higher wages. Furthermore, I estimate significant differences by individual skill types. Entrepreneurial and leadership skills show the largest impact, increasing wages by about 6-7 percent. Whereas analytical skills and other hard skills also have positive returns, many soft skills such as stress-tolerance and reliableness are not associated with higher pay. Although the estimated returns to communication skills are relatively small, I find evidence for substantial interaction effects with analytical skills. This is in line with recent empirical evidence for the US (Deming and Kahn, 2018; Weinberger, 2014), suggesting that the labor market is increasingly characterized by strong complementarities between social skills and cognitive skills. The large pool of job posts also allows to compare job ads between urban and rural districts in Austria. Consistent with the common notion that high productivity in metropolitan areas attracts higher skilled workers, the spatial analysis shows that employers have a higher skill demand in more urban areas. For most skill groups, I also estimate stronger wage returns in these districts.

Because skill requirements are inferred from specific keywords, my estimates might be affected by measurement error. To analyze potential biases, I calculate potential effect sizes for different levels of under- and over-detection of skills and show that the underlying measurement error would have to be unrealistically large to explain the observed differences in skill returns. As an additional robustness check, I replicate my analysis using job ads from the largest private online job board in Austria. Estimated wage effects are similar to those obtained for my main sample, showing that the observed impact is not specific to the pool of ads on a specific job board.

The remainder of this paper proceeds as follows: In the next section, I provide details on wage setting and regulations for job postings in Austria. Section 3 outlines the setup of Austria's major online job board and describes the dataset. In particular, I explain how skills are inferred from job ads, and provide the corresponding statistics. The main estimation results are presented in Section 4. Section 5 analyzes spatial effects and provides additional robustness checks with regard to measurement error and representativeness. Finally, Section 6 concludes.

2 Institutional framework

Nearly 98 percent of workers in the Austrian labor market are covered by collective bargaining agreements (CBAs).[1] While most agreements are negotiated on the industry level, there also exist some firm-level CBAs which are often complementary to industry agreements and specify better conditions for workers. The negotiated pay scale differs by occupation and often increases with age and experience. Wages specified in the agreements are legally binding and cannot be undercut but firms are free to offer higher wages. In that sense, CBA wages should be interpreted as a lower bound for actual

[1]See report by OECD (2012).

wages. As many firms point out, the degree of overpay depends on both qualification and experience. Next to the pay structure, CBAs regulate the extent of working hours and other working conditions. A national minimum wage does not exist in Austria.

A unique feature of the Austrian labor market is that as of March 2011, employers are required to specify the respective CBA starting gross wage in job postings. Since August 2013, a similar regulation also holds for the few sectors that are not covered by collective bargaining agreements. Here, the posted wage should be at least the lower bound of the typical pay for an offered vacancy. Posted wages should exclude bonuses or other extra payments, and the unit of time has to be reported (hour, month or year). Employers who do not comply with these rules may be fined for violation by local authorities. Whereas the posted wage cannot be below the CBA figure, employers can post higher wages. If firms want to attract qualified applications and are able to overpay, it can be advantageous to post a higher wage. It is thus probable that for some ads observed wages exceed the wage of the respective collective bargaining agreement. When I control for firm and occupation fixed-effects in the empirical analysis, most of the variation in wages should result from these ads.

Skill effects on posted wages can differ from those on actual pay. In fact, it is likely that candidates who better fit the specified job profile should be able to negotiate a higher final wage. For this reason, my estimates can be seen as lower bound for the impact on final wages.

Little empirical evidence exists on the wedge between collective bargaining wages and actual wages. While final wages are observed in the Austrian social security records, it is in many cases hard to figure out which bargaining agreement applies to a specific spell. A policy report by Leoni and Pollan (2011) estimates a gap of around 20 percent for the industrial sector. A few job ads in my sample contain some information on expected differences. When employers directly enter a vacancy post on the job board, they have the option to report separately the CBA wage, the final wage or both. In a small subset of job ads, both figures are reported by the firms ($N = 4,208$). While this sample is too small for the main analysis, it allows to obtain an estimate for the difference between final pay and collective bargaining wage. Using all job ads in which both wages are reported, I calculate an average log wage difference of 0.169 ($SD = 0.142$). It is not clear what motivates firms to (not) reveal both wage figures. Reporting employers might find it difficult to fill vacancies and use the comparison to attract more applications, which makes more sense when the wedge is large. If there is selection in reporting with respect to pay differences, one would thus expect that the average difference across all ads is smaller. To examine whether selection based on observables matters, I use all characteristics for which I have sufficient observations in the subsample (extent of work, required education and state of workplace) to predict log wage differences for all job ads. The predicted mean (0.162) is very similar to the unadjusted mean.

3 Data

3.1 Job board

The *AMS e-Jobroom* is the online job board of the public employment administration (AMS) in Austria. Having about 80,000 active postings at a time, this platform offers by far the biggest pool of vacancies in Austria. A comparison to the largest private competitor is provided in Section 5.3. According to a representative quarterly survey among establishments conducted by Statistics Austria, the AMS has covered about 50-60 percent of all open vacancies in recent years.

Companies can either directly enter job posts on the website or inform the public employment office about open vacancies. In the latter case, the AMS processes the provided information and updates the corresponding job posts daily. I observe that only about 7.5 percent of vacancies are directly posted by companies. Daily checks for activity by AMS employees greatly reduce the number of inactive vacancies, which are common on online job boards (Cheron and Decreuse, 2016). Contrary to many private competitors, the employment office does not charge companies for job ads. To be eligible for postings on the job board, the offered jobs have to be located in Austria.

Job seekers can either use the open search mask or filter ads by several characteristics such as location or occupation. It is also possible to register for free and set up an application profile, which enables firms to get in contact with registered job searchers. Job posts on the e-Jobroom contain both structured and unstructured information. Structured information are characteristics which are reported in separate columns for all vacancies and mostly correspond to the filters in the search mask. These data include firm name, location (on post code level), occupation, required education and extent of work. My sample contains job ads for 492 different occupations, which is thus similar in detail to the five-digit Standard Occupational Classification (SOC) of 461 occupations used in the United States. In total, there exist five categories of education requirements, ranging from compulsory schooling to university education. Unstructured information are attributes described in the open text section and need to be extracted using text pattern matching. A typical ad text is about 100-300 words long and often contains a short description of the company and the advertised job followed by a characterization of the profile of a suitable applicant. Characteristics that I obtain from the ad text are all skill requirements, prior work experience and the posted wage.[2]

Table 1: Job ad characteristics

	Mean	Std. Dev.	Min	Max
Monthly salary	2,058.27	574.88	500	10,000
# words	184.53	88.12	10	944
Urban area	0.28	0.45	0	1
Extent of work:				
- Full-time	0.72	0.45	0	1
- Part-time	0.18	0.38	0	1
- Full- or part-time	0.10	0.30	0	1
Education:				
- Compulsory schooling	0.36	0.48	0	1
- Vocational training	0.49	0.50	0	1
- Higher voc.-techn. schools/gymnasium	0.10	0.30	0	1
- Applied university	0.02	0.13	0	1
- University	0.03	0.18	0	1
Prior experience:				
- Some experience	0.50	0.50	0	1
- Substantial experience	0.16	0.36	0	1

# ads per firm	1	2-5	6-10	11-100	>100
Firms (N=49,308)	15,512	22,705	6,089	4,572	430

NOTE: N=383,364. A vacancy is classified as *urban* if the job is located in a district of the six largest Austrian cities (Vienna, Graz, Linz, Salzburg, Innsbruck and Klagenfurt).

All available vacancies were scraped from the AMS e-Jobroom once a month between November 2018 and October 2019. To prevent double-counting of vacancies, I drop ads that are equal in all observable characteristics.[3] For the empirical analysis, I make a

[2]If hourly or annual wages are listed, I convert wages to monthly pay. For a few job ads which have been posted directly by the employer, wages are reported in a separate column. Unreasonably low values (below 500 euros) and high values (above $10,000$ euros) are dropped from the sample to minimize measurement error.

[3]Given that the AMS thoroughly checks for inactivity of ads, I expect that most duplicate observations are either vacancies that have not been filled yet or reposts of vacancies with the exact same profile.

few sample restrictions. A small share of posts on the job board do not contain any ad text. Because skill requirements cannot be inferred for these vacancies, I restrict my estimation sample to ad texts with at least 10 words, which corresponds to 95 percent of all scraped ads. Another five percent of observations do not report the salary or minimum required level of education for the vacancy. Finally, I drop vacancies for which the firm name is not reported (7-8 percent). The final estimation sample contains 383,364 job ads, or 84 percent of the raw dataset.

Table 1 summarizes the main characteristics of the job ads. I observe that the length of an average ad text is 180 words. Firms post a gross wage of, on average, 2,050 euros per month. While most job ads are for full-time positions, I find substantial heterogeneity in the level of required education. Contrary to many other online job boards, the e-Jobroom lists numerous vacancies for lower educated workers with basic school education or vocational training while 15 percent of ads require a higher secondary degree or university education. According to the Austrian labor force survey in 2017, approximately 30 percent of workers fall into the latter category. Although the reported levels are *minimum* requirements and should therefore understate the average education of successful applicants, the large difference to the composition of the current workforce suggests that jobs for lower educated workers are overrepresented on the job board. Another worker characteristic frequently mentioned in job ads is prior work experience. Because the AMS does not group postings by required level of experience, I infer experience requirements from word matches in the ad text. In my sample, the majority of postings mentions that applicants need to have at least some prior experience. 16 percent explicitly ask for applicants with substantial experience.[4] To account for firm fixed-effects in the subsequent analysis, I need to observe multiple job ads per firm. The last two rows of Table 1 report the distribution of job ads across firms, showing that most employers post more than one job ad during the period of observation.

3.2 Skill requirements

To identify the most common skill requirements, I split up the ad texts into words and rank them according to their overall frequency. Next, I filter out all words that describe

[4]Experience is classified as *substantial* if employers explicitly state it or if they ask for multiple years of experience.

Table 2: Classification of skills

Skill group	**Specific skill**	**Examples (translated from German)**
Analytical skills	Analytical skills	Problem solving skills, analytical thinking
Communication skills	Communication skills	Communication skills, communicative
Managerial skills	Entrepreneurial skills	Entrepreneurial spirit/mindset
	Leadership skills	Leadership strength, leadership
Other hard skills	Programming	Programmer, Programming, Python, SQL
	MS-Office skills	Microsoft Office, MS Word, MS Excel
	Foreign language	English, French, Spanish
Other soft skills	Teamwork	Teamwork, likes to work in teams, teamplayer
	Organizational skills	Organizational talent, organizational skills
	Self-reliance	Own initiative, self-reliant
	Assertiveness	Assertiveness, ability to assert oneself
	Creativity	Creativity, creative
	Stress tolerance	Personal resilience, stress resistance, stress
	Reliableness	Reliableness, reliable

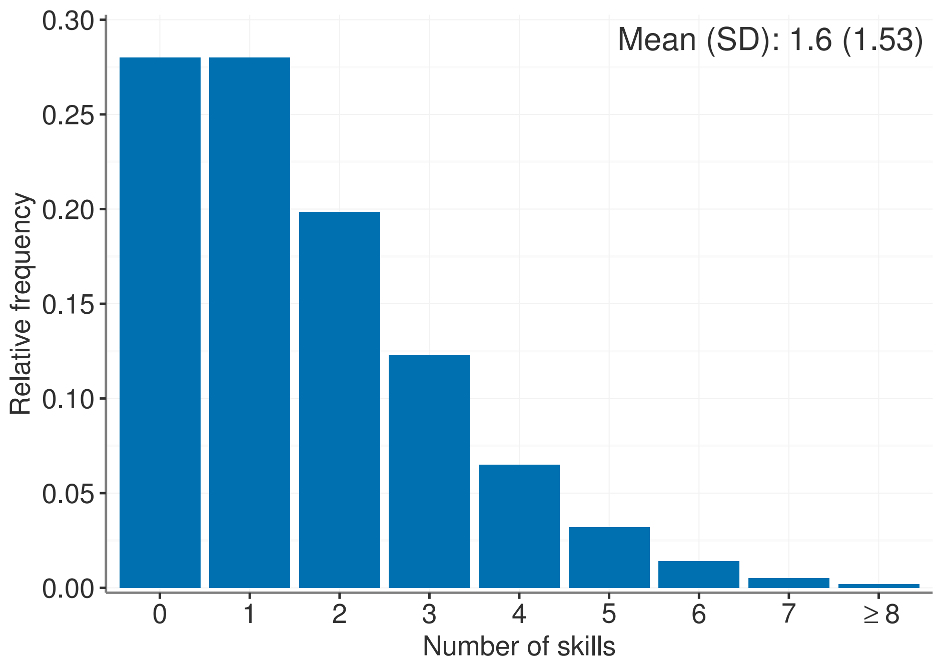
skill requirements.[5] These can either be general skills such as being communicative or specific skills like a programming language. Finally, I group the terms into skill categories. Table 2 provides an overview of this classification procedure. Column two and three list the 14 identified skills along with an excerpt of used keywords for each skill. To reduce the dimensionality of the skill set, I further group these skills into five major skill groups. From the list of skills in Table 2, it becomes apparent that job posts mainly describe skill requirements for higher skilled occupations. These vacancies are often characterized by a higher complexity of tasks, which can explain a higher skill request. Also, the skill set of university graduates might be more diverse than that of workers with a vocational degree.[6]

It is clear that job post cannot provide a full characterization of a worker's profile. Compared to occupational dictionaries, ad texts provide a shorter, more superficial description of the required skill set. Furthermore, it is more difficult to describe the

[5]In some cases, I have to rely on multiword expressions to avoid over-detection caused by expressions that do not necessarily refer to the skill profile.

[6]Note that Austria has a well-developed apprenticeship system with national standards and centralized examination, which helps employers to better assess the skills of applicants with vocational training.

Figure 1: Distribution of skills per job ad



relative importance of skills. For this reason, firms might put more emphasis on major skill requirements, while minor skills are more likely to be omitted. In contrast to continuous skill measures, estimated effects should thus be interpreted as the impact of prioritized skills within a given occupation. It is also possible that skill requirements are only observed with some degree of measurement error because of over- or under-detection of described skill attributes. Potential sources of measurement error and its consequences will be discussed in Section 5.2.

As illustrated in Figure 1, I observe on average 1.6 skills per job ad. Whereas 28 percent of posts do not list any of the discussed skill types, around five percent request more than four skills. Table 3 shows the relative frequency of all skill types separately for low- and high-educated workers. As expected, most skills are more often mentioned in job posts for vacancies that require higher education. As reported at the table bottom, job ads for these workers specify, on average, more than twice as many skill requirements. Whereas social skills like communication and teamwork competency are frequent in both groups, cognitive skills such as analytical and programming skills are rarely asked of lower educated workers.

When examining the joint mentioning of skills within job ads, I find evidence for sub-

Table 3: Skill shares by education

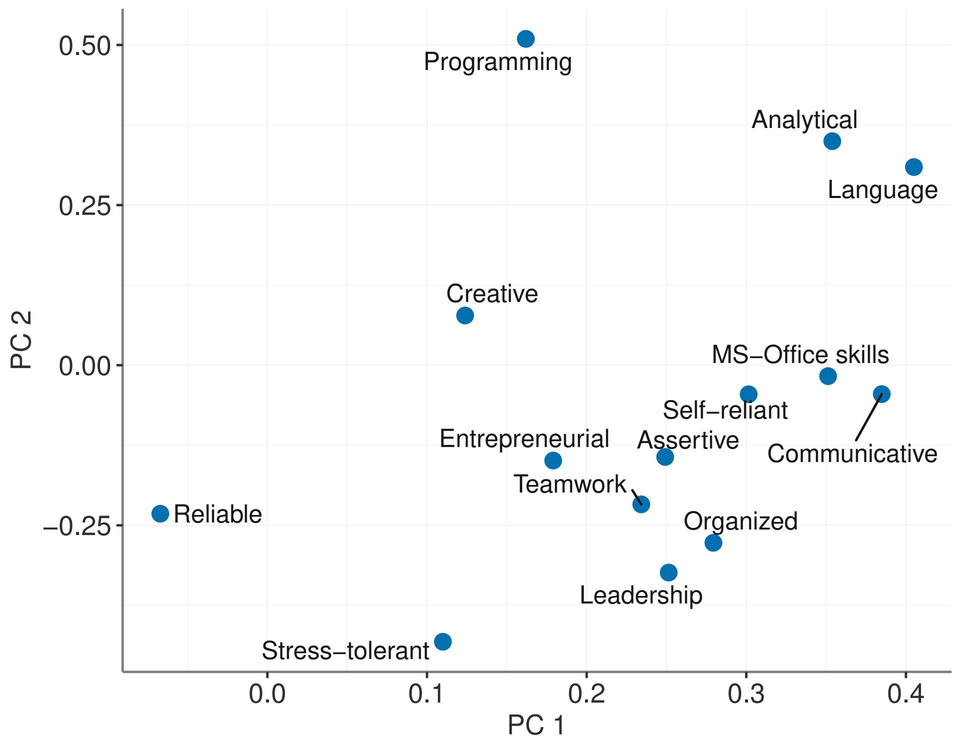
Low educated		High educated	
Skill	Share	Skill	Share
Reliable	0.31	Language	0.44
Teamwork	0.26	Communicative	0.43
Communicative	0.17	Teamwork	0.38
Stress-tolerant	0.16	Self-reliant	0.29
Self-reliant	0.13	Analytical	0.28
Leadership	0.07	MS-Office skills	0.23
Language	0.06	Reliable	0.20
MS-Office skills	0.06	Programming	0.17
Creative	0.04	Leadership	0.15
Analytical	0.03	Stress-tolerant	0.12
Organized	0.03	Organized	0.09
Programming	0.02	Creative	0.09
Assertive	0.01	Assertive	0.06
Entrepreneurial	0.01	Entrepreneurial	0.04
Mean skills: 1.37		Mean skills: 2.96	
N=326,385		N=56,979	

NOTE: **Low education**: Compulsory schooling and vocational training. **High education**: Higher voc.-techn. schools/gymnasium and (applied) university.

stantial correlations between many skill requirements (see Table A.1 in the appendix). To better understand these associations, I conduct a principal component analysis. By estimating variance-maximizing orthogonal linear combinations of the skill indicators, the principal components allow to visualize the co-movement of skills in job postings.[7] Figure 2 illustrates the first two principal components of all 14 skill types. While I observe similar principal components for most soft skills, those of hard skills are more scattered. This suggests that soft skills more often refer to a similar skill profile. Programming knowledge and reliableness stick out as these skills are often mentioned in isolation. Entrepreneurial skills are very centrally located in the graph of Figure 2. This is consistent with the view that entrepreneurs need to possess a variety of skills (see Lazear, 2004).

[7]To account for large differences in skill shares, I normalize the standard deviation of each skill indicator to one.

Figure 2: Principal components of skills



4 Skill returns

4.1 Estimation strategy

To analyze the impact of skills on wages, I estimate the following regression equation

$$log(wage_{ijkl}) = \alpha_j^F + \alpha_k^O + \alpha_l^D + S_{ijkl}^{\prime}\beta + X_{ijkl}^{\prime}\gamma + u_{ijkl}$$

where S_{ijkl} denotes the skill measure of ad i posted by firm j for occupation k in district l. As skill measures, I use (i) the number of skills (*# skills*), and (ii) a vector of skill type indicators. Vector X_{ijkl} contains other job characteristics reported in the ad, including required level of education, prior work experience, and a variable that indicates whether the ad was entered directly by the employer or via the public employment service. Finally, α_j^F, α_k^O and α_l^D denote firm, occupation and district fixed-effects, respectively. The identification assumption for the marginal returns to skills (β) is that conditional on all included characteristics and fixed-effects, stated skill requirements are not correlated with unobserved factors that explain wage differences.

A standard wage determination model predicts that wages are determined by both productivity and bargaining power.[8] In this framework, I think of skill returns as returns to productivity. It is thus important to account for differences in bargaining power. As mentioned in the previous section, most collective bargaining agreements in Austria are industry-wide, with a few firm-level exceptions. Controlling for firm fixed-effects allows to account for any confounding effects on firm- or industry-level which are constant between listings.[9] Furthermore, this specification allows to take out differences in the wage policy of firms, which might be correlated with skill requirements. Empirical studies that estimate firm-specific wage premiums often find evidence for substantial firm heterogeneity (e.g. Abowd et al. 1999; Card et al. 2013).

Although job descriptions in ad postings cannot provide a full characterization of the desired applicant profile, the occupation itself contains information on skill requirements. It should be known to applicants which skills are necessary to master all duties in a specific occupation. Including occupation indicators allows a within-occupation comparison of skill types which reduces the threat of biased estimates due to unreported 'self-explanatory' skills requirements that are correlated with my skill measures. A drawback of this specification is that I can only identify returns to skills which vary within occupations. I do not expect that many skills fall into this category as this information should already be communicated by the occupation itself. For completeness, all main regression results are reported with and without occupation fixed-effects.

4.2 Wage regressions

Following the estimation equation outlined above, I next examine the impact of skills on posted wages. Estimation results for five different specifications are given in Table 4. The upper row reports point estimates for the impact of the number of skills. In all regressions, I obtain small but comparatively robust coefficients, indicating a 0.5 to 1 percent increase in wages per additional skill. Including occupation and firm fixed-effects leads to stronger associations between the number of listed skills and prospective pay. As shown in Section 3.2, there exists substantial heterogeneity in the number of skill requirements across job ads. It is possible that also marginal effects change with

[8] See e.g. Cahuc et al. (2006) for a theoretical framework.

[9] Here, I assume that firms operate in one industry, which applies to the vast majority of Austrian firms. Even though individual bargaining power also influences final wages, this channel cannot affect the skill returns to posted wages.

increasing skill requirements. Using the richest specification (c.f. column (5) of Table 4), I estimate wage differences for each skill count relative to wages in job ads that do not mention any of the described skills. The plot of Figure 3 shows that the estimated impact sharply increases with the number of listed skills. Compared to job posts with just one mentioned skill, wages in posts with more than seven skill requirements are higher by a margin of ten percent. The graph also demonstrates that the overall effect is not driven by changes at the extensive margin. In fact, estimated wages are very similar in job ads with zero and one skill listing.

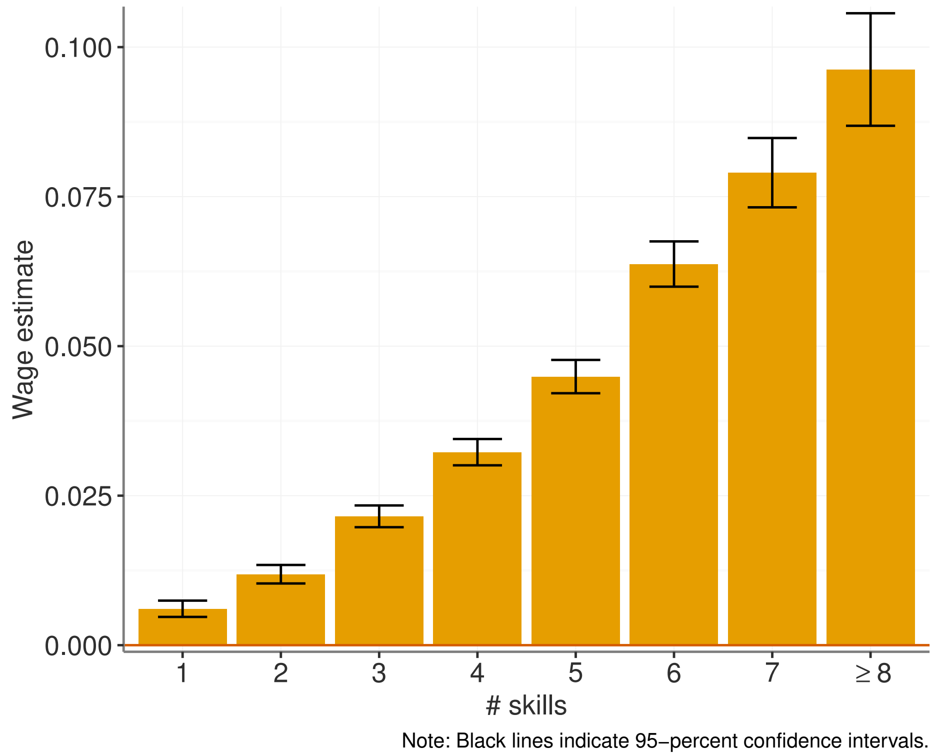
The lower panel of Table 4 reports results for separate skill groups. In the first rows, I focus on analytical skills and communication skills, which are among the most frequent skills asked of higher educated workers. Furthermore, they serve as a good proxy for cognitive and non-cognitive capabilities. Controlling for education and work experience, I find a positive impact of 6.3 percent for analytical skills. The point estimate declines by more than 50 percent when I additionally account for firm and occupation fixed-effects.

Table 4: Wage regressions

	(1)	(2)	(3)	(4)	(5)
# skills	**0.005**	**0.007**	**0.009**	**0.009**	**0.009**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Analytical skills	**0.063**	**0.034**	**0.045**	**0.028**	**0.028**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Communication skills	**-0.012**	**0.009**	**0.004**	**0.011**	**0.011**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Managerial skills	**0.042**	**0.057**	**0.065**	**0.064**	**0.064**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Other hard skills	**0.008**	**0.020**	**0.008**	**0.014**	**0.014**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Other soft skills	**-0.002**	**-0.005**	**-0.004**	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Occupation FE		✓		✓	✓
Firm FE			✓	✓	✓
District FE					✓

NOTE: N=383,364. **Bold** coefficients indicate significance at the 1%-level. All regressions control for education, experience and whether the ad was placed directly by the employer. See Table 2 for skill group classification.

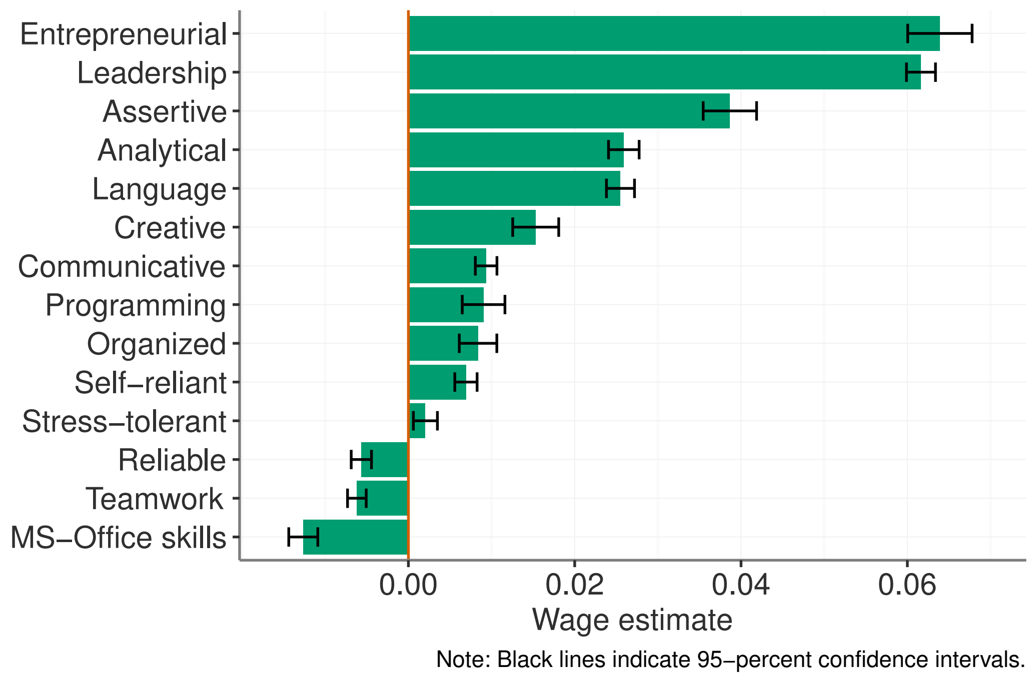
Figure 3: Wage effect by number of skills



In the last specification, I estimate a wage difference of about three percent. On the contrary, communication skills are associated with lower wages in the first specification. Controlling for differences between firms removes this negative effect. Instead, I measure a small positive impact of about one percent, which is robust to the inclusion of occupation and district fixed-effects. The large changes in point estimates after controlling for occupation fixed-effects indicate that communication skills are more frequented in lower paying occupations while analytical skills are more often mentioned for higher paying occupations. By far, the strongest wage effect can be observed for managerial skills. In the richest specification, employers who mention these requirements post, on average, 6.4 percent higher wages. In contrast to the previous two skill groups, firm differences have a larger impact on the point estimate than differences by occupation. The last two rows of Table 4 report estimates for other hard or soft skills. While the remaining soft skills have no joint effect, I find that ads which require additional hard skills pay somewhat higher wages.

To analyze the impact of specific skills, I next estimate wage regressions for all 14

Figure 4: Wage effect by skill type



skill types. Again, I account for education, work experience, and firm, occupation and district fixed-effects. As shown in Figure 4, there exist large differences in the impact of hard skills. For language skills, I estimate a relatively large effect similar in size to the coefficient on analytical skills. The impact of programming skills is only half of that, and MS-Office skills are even associated with lower wages. This might partly be due to the fact that returns to profession-specific skills are absorbed by the occupation fixed-effect. Indeed, I measure that the occupation of a programmer pays above average wages (also conditional on education and experience). When I exclude occupation fixed-effects from the regression, the point estimate on programming skills becomes ten times larger. As for hard skills, I also observe heterogeneity in wage estimates for soft skill requirements. Whereas assertiveness is associated with a relatively strong return of four percent, stress-tolerance, teamwork capabilities and reliableness show no positive effects.

To investigate potential complementarities between hard and soft skills, I estimate additional wage regressions, which include interaction terms of analytical and communication skills. As reported in Table A.2 in the appendix, I find in all specifications evidence for strong interaction effects. When compared to separate mentioning, requiring both skills jointly increases the effect size of analytical and communication skills substantially.

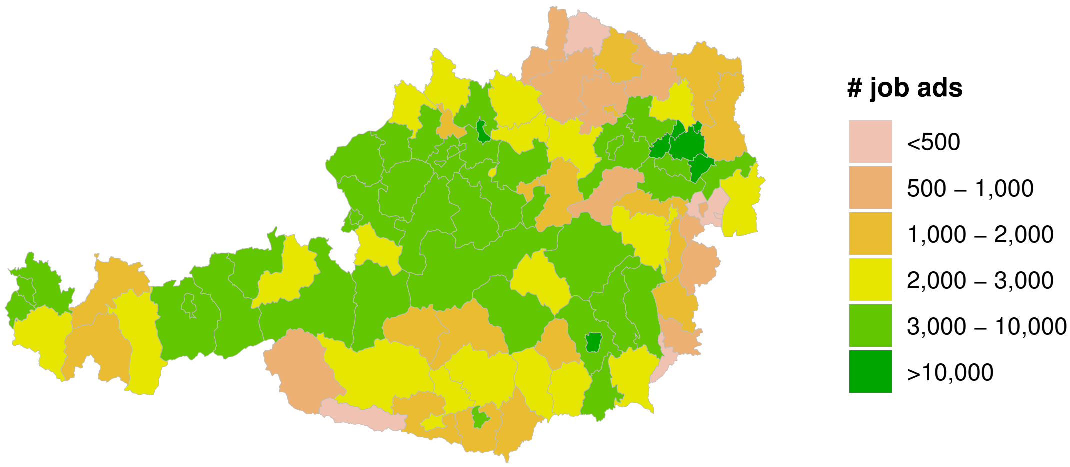
4.3 Interpretation of findings

Compared to the findings of Deming and Kahn (2018), who estimate the effect of skills on wages using US job ads, my estimates are overall smaller. This might be explained by differences in the measure of pay. While they use average wages by region and occupation as outcome, I focus on posted wages, which can be lower than final wages. As discussed in Section 2, I expect the impact on final wages to be larger because better suitable candidates should be able to negotiate a higher wage. Because my estimates suggest that the difference between posted and final wages is rather small (16 percent), it is possible that other factors such as a different estimation strategy explain lower effects, too. Using ad-level variation in wage postings allows to take out firm and region fixed-effects and, thus, accounts for potential biases. Indeed, my estimates in Table 4 show that most coefficients decrease when I control for these differences.

Institutional differences between the United States and Austria might also play a role. The Austrian labor market is more homogenous both in terms of workforce characteristics and pay. First, wages in Austria are less dispersed than in the United States, which suggests that skill returns are lower, too. Second, it is possible that the skill profile of Austrian workers is less heterogeneous. One reason could be differences in education. While US institutions of higher education differ substantially in the quality of education (e.g. measured in terms of school resources), differences among universities and colleges in Austria are much less pronounced. The uniform apprenticeship system further guarantees homogeneous skill profiles among lower educated workers. This might make it less important to filter applicants by skill requirements in job postings. If less firms explicitly refer to specific skills, the explanatory power in wage regressions should be lower.

Consistent with previous studies is my finding of strong interaction effects between analytical and communications skills in all regressions. As pointed out by Weinberger (2014), skill-biased technical change in the labor market induces a rising demand for workers with both cognitive and non-cognitive skills. This is also in line with my finding that entrepreneurial and leadership skills have the largest wage effects. These skills require cognitive and non-cognitive capabilities, and are often mentioned jointly with other hard and soft skills as shown in the previous section.

Figure 5: Job ads by district



5 Discussion

5.1 Spatial differences

Because of differences in amenities, infrastructure and industry spillovers, it is likely that skill demand and skill returns differ across regions (Glaeser and Mare, 2001; Moretti, 2004). To examine whether such differences exist, I construct two spatial measures that exploit variation between the 94 administrative districts in Austria. Figure 5 illustrates the frequency of job ads by district. Although the number of postings greatly varies, my sample is large enough to also contain a substantial number of job ads in rural districts. To measure spatial differences, I classify a job location as urban if the respective location belongs to the districts of the six largest Austrian cities (Vienna, Graz, Linz, Salzburg, Innsbruck and Klagenfurt). As shown in Table 1, this is true for about 28 percent of the sample. To obtain an alternative spatial measure, I merge data on district-level population density to my sample of job ads, which will serve as a continuous proxy for urbanity. For the estimation, I use the logarithm of population per square kilometer and standardize it to have a mean of zero and a standard deviation of one.

The corresponding regression results are given in Table 5. Column (1) and (2) report spatial differences in skill shares for both measures. Accounting for differences by education, work experience, occupations and firms, the spatial wedge in skill demand is relatively modest. Employers in urban districts, list about 0.03 more skill requirements. Communication and other hard skills are mentioned about half a percentage point more often in urban areas. When using the logarithm of population density as explaining variable, I find qualitatively similar effects. A one standard deviation increase in population density is associated with a 0.7 percentage point higher demand for communication skills and other hard skills. For the other skill groups, I do not observe significant differences.

Table 5: Spatial differences

	Difference in shares		Diff. impact on log(wage)	
	D(Urban)	Log(pop dens.)	D(Urban)	Log(pop dens.)
# skills	**0.031**	**0.018**	**0.001**	**0.001**
	(0.005)	(0.003)	(0.000)	(0.000)
Analytical skills	0.000	0.000	**0.006**	**0.003**
	(0.001)	(0.001)	(0.002)	(0.001)
Communication skills	**0.005**	**0.007**	**0.007**	**0.003**
	(0.002)	(0.001)	(0.001)	(0.001)
Managerial skills	0.002	0.001	**0.005**	**0.007**
	(0.001)	(0.001)	(0.002)	(0.001)
Other hard skills	**0.005**	**0.007**	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)
Other soft skills	0.003	-0.002	**-0.006**	**-0.004**
	(0.002)	(0.001)	(0.001)	(0.001)

NOTE: N=383,364. **Bold** coefficients indicate significance at the 1%-level. Log population density is standardized to have mean zero and standard deviation one. All regressions control for education, experience, occupation and firm fixed-effects, and whether the ad was placed directly by the employer. See Table 2 for skill group classification.

The remaining two columns of Table 5 report estimated interaction effects between spatial and skill measures in wage regressions that control for all covariates and fixed-effects. Compared to the overall return of one percent per additional skill requirement, the impact is around one tenth larger in the cities. These wage differences can be observed for most skill groups. Point estimates of analytical and communication skills are 0.8 percentage points larger in urban districts. Only skill requirements that fall into the group of other soft skills are associated with lower posted wages in the cities.

These findings are consistent with a spatial equilibrium model of the labor market with heterogeneous workers and imperfect labor mobility (see Enrico, 2011). Firms in metropolitan areas tend to be more productive and face a higher demand for skills. To attract the most talented workers, employers have to post higher wages than in more rural areas.

5.2 Measurement error

Since I use text pattern matching to infer the skill content of job postings, it is possible that the skill measures suffer from some degree of measurement error. More specifically, my keywords may fail to identify skills (*under-detection*) or wrongly attribute skills (*over-detection*) in a few job ads. Some employers might paraphrase required skills in the job description instead of naming them directly. Typing errors or the use of infrequent terms that I have not identified as common keywords can be other sources of mis-measurement. Conversely, it is also possible that I wrongly attribute keywords to the applicant's profile. One example are keywords that describe the workplace rather than the applicant. Although both errors are rather unlikely, it is informative to analyze whether minor inaccuracies can lead to significant changes.

To quantify the impact of over- and under-detection of skills, I assume in the following that the error, similar to classical measurement error, is not correlated with the error term u_{ij} in the wage regressions. In other words, posted wages conditional on all observables should not differ by the degree of measurement error in job ads. Under this assumption, I can back out actual wage effects for given rates of under- and over-detection. Let indicator variables $\tilde{S}_i$ and S_i denote observed and actual occurrence of a specific skill in job ad i. Over- and under-detection rates, $p_o = P(S_i = 0|\tilde{S}_i = 1)$ and $p_u = P(S_i = 1|\tilde{S}_i = 0)$, are defined as the probabilities that I attribute the skill to ads which do not contain it, and vice versa. The true skill effect on outcome y_i is given by

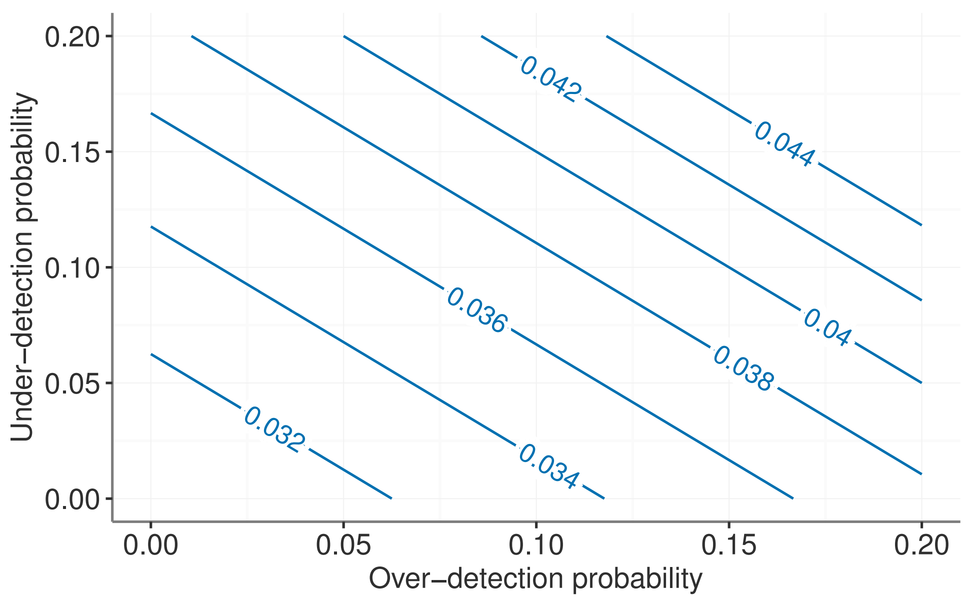
$$\beta = \underbrace{E(y_i|S_i = 1)}_{\mu_1} - \underbrace{E(y_i|S_i = 0)}_{\mu_0}$$

Under over- and under-detection of skills, I instead observe

$$\begin{aligned} b &= E(y_i|\tilde{S}_i = 1) - E(y_i|\tilde{S}_i = 0) \\ &= (1 - p_o)\mu_1 + p_o\mu_0 - [(1 - p_u)\mu_0 + p_u\mu_1] \\ &= (1 - p_o - p_u)\beta \end{aligned}$$

Most likely, p_o and p_u are lower than 0.5, since this value would correspond to random assignment of $\tilde{S}_i$.[10] As a result, mis-measurement of skills leads to a downward bias of the true impact towards zero. Because the bias increases exponentially in error rates, small levels of measurement error should not have a considerable impact on my estimates. The relation between true and estimated effect sizes is illustrated in Figure 6. Using the estimated impact of analytical skills as an example ($b = 0.03$), I plot the combinations of p_o and p_u that are associated with different levels of actual skill returns. The contour plot shows that even under substantial over- and under-detection rates of around 20 percent, the underlying effect would not be much larger than the estimated effect.

Figure 6: Actual effect sizes under measurement error ($b = 0.03$)



5.3 Alternative data source

Job ads posted on the AMS job board might not be representative for labor demand in the entire labor market. As discussed above, the public employment service only covers about 50-60 percent of all vacancies, and there might be selection with respect to education, profession and other unobservables. Next to the AMS, several private

[10] For p_o and p_u larger than 0.5, assignment of skills would be reversed, leading to effect size measures between zero and $-\beta$.

providers operate job posting websites in Austria. To test the robustness of my estimates, I redo the previous analysis of skill requirements and wage effects using job ads of the biggest competitor on the Austrian labor market. Compared to my main data source, the number of job ads is much smaller on this website. Whereas around 80,000 job ads are available on the AMS job board at a time, this provider only lists about 20,000 posts. Furthermore, the classification of job ads on this website is much less detailed. Job ads are clustered into 20 occupation groups, and there is no classification of required education. This makes it more difficult to appropriately take out confounding effects due to differences in occupation and education requirements. Despite these limitations, it is informative to examine as a robustness check whether skill shares and wage estimates are comparable to those found in the main analysis.

All available job posts were scraped from the website every two to four weeks between June and October 2018. Identification of skills and wages follows again the procedure outlined in Section 3.2. Restricting the sample to observations with non-missing information on skills, location and salary, the final sample consists of $41,374$ ads. Because job posts are not classified by education, I infer from the ad text whether any higher education is required. Measured skill shares and other descriptive statistics are provided in Table A.3 in the appendix. Compared to my main sample, I observe clear differences in most characteristics. Job ads on the website of the private competitor are, on average, longer, offer higher wages and are much more often located in the six urban districts. Also, the measured skill requirements are substantially higher. This observation is consistent with the notion that private employment websites over-represent job posts for professionals (see e.g. Deming and Kahn, 2018). In fact, the estimated skill shares are comparable in size to those of ads on the AMS job board for high-educated workers as reported in Table 3. The comparison of ad characteristics between the two samples suggests that both sources complement each other. Whereas the private website clearly lacks the majority of job posts for low-skilled workers, the public employment service lists fewer job postings for high-skilled workers.

Table A.4 in the appendix reports results of the corresponding wage regressions. The five specifications closely mimic the regression analysis of my main sample. Yet, due to the more superficial classification of ads, the included controls for occupations and education are less detailed. Estimated effects for both the number of skills and skill types are largely in line with the main results presented in Section 4. One additional skill leads to about one percent higher wages, which is robust to the inclusion of occupation, firm and district fixed-effects. For the separate skill groups, I find again initially large point estimates that tend to decrease in richer specifications. Managerial skills are associated with the highest wage gains, followed by analytical skills. In this sample, the impact of other soft skills remains even in the last specification significantly negative. Overall, coefficients are somewhat larger than in the main analysis. This is consistent with the finding that effect sizes are less pronounced in specifications with many covariates. If a more detailed classification of education and occupation was available for ads on the private job board, regression estimates might even be more closely aligned between the two samples.

These results show that my findings are robust to the use of a different job board as data source. Although the private website covers very different vacancies with respect to most observable characteristics, estimated wage associations remain similar.

6 Conclusion

Given the vast amount of publicly available data on the Internet, many economists have started to exploit its potential and provide new evidence on a variety of research questions. This paper shows that online job ads may contain useful information for the analysis of skill demand on the labor market. Due to regulations in Austria which require employers to report a lower bound for wages in ads, job board data allow to exploit variation between job posts in the estimation of skill differentials.

My analysis shows that employers frequently refer to a number of soft and hard skills in job descriptions. Controlling for a rich set of characteristics such as education, work experience, and firm and occupation fixed-effects, more skill requirements are associated with higher posted wages. While managerial and analytical skills show relatively high returns, most soft skills have small wage effects. Consistent with predictions of a standard spatial model, the analysis also provides evidence for higher skill demand and higher wage associations of skills in more urban districts of Austria. Although the skill content has to be inferred from ad texts, measurement error is unlikely to explain my empirical findings. Even under considerable misclassification of skills, actual effect sizes would not be very different from obtained estimates.

Analyzing the skill content of job ads comes with two shortcomings. First, observed skill requirements can only serve as a rough proxy for a job's actual skill content. Because employers need to depict the job profile in just a few sentences, job ads cannot comprise the same level of detail as occupational dictionaries. Likewise, it is also more difficult to describe the relative importance of mentioned skills. Another limitation is that I estimate returns in terms of posted wages, which not always equal final wages. Although I observe that final wages are only about 16 percent higher, it is possible that the difference is correlated with skill requirements. Highly skilled applicants that meet all stated requirements should have a better bargaining position and negotiate higher wages. As a result, skill differentials will be higher for final wages, suggesting that the estimated effects should be interpreted as a lower bound for the skill return in terms of actual pay.

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Appendix

Table A.1: Skill correlation matrix

	Ana.	Comm.	Entr.	Lead.	Progr.	MS-Off.	Lang.	Team.	Org.	Self-rel.	Asser.	Creat.	Str.-tol.
Comm.	**0.17**												
Entr.	**0.08**	**0.08**											
Lead.	**0.06**	**0.13**	**0.13**										
Progr.	**0.20**	**0.06**	**-0.01**	**-0.03**									
MS-Off.	**0.14**	**0.17**	**0.05**	**0.08**	**-0.01**								
Lang.	**0.27**	**0.23**	**0.05**	**0.07**	**0.18**	**0.27**							
Team.	**0.08**	**0.14**	**0.02**	**0.08**	**0.05**	**0.09**	**0.08**						
Org.	**0.07**	**0.14**	**0.10**	**0.15**	**-0.02**	**0.16**	**0.10**	**0.06**					
Self-rel.	**0.12**	**0.16**	**0.05**	**0.10**	**0.07**	**0.14**	**0.12**	**0.12**	**0.11**				
Asser.	**0.11**	**0.11**	**0.08**	**0.13**	**-0.01**	**0.11**	**0.11**	**0.05**	**0.10**	**0.07**			
Creat.	**0.05**	**0.05**	**0.02**	**0.03**	**0.04**	**0.02**	**0.06**	**0.06**	**0.06**	**0.06**	**0.02**		
Str.-tol.	**-0.02**	**0.09**	0.00	**0.07**	**-0.05**	**0.02**	**-0.01**	**0.14**	**0.08**	**0.06**	**0.04**	**-0.00**	
Rel.	**-0.04**	**-0.02**	**-0.02**	**-0.05**	**-0.04**	**-0.02**	**-0.07**	**0.08**	**-0.01**	**-0.03**	**-0.02**	**-0.03**	**0.05**

NOTE: N=383,364. **Bold** coefficients indicate significance at the 1%-level.

Table A.2: Wage regressions - Complementarities

	(1)	(2)	(3)	(4)	(5)
Analytical skills	**0.055**	**0.028**	**0.037**	**0.021**	**0.021**
	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)
Communication skills	**-0.014**	**0.007**	0.001	**0.008**	**0.008**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Analyt. × comm. skills	**0.019**	**0.015**	**0.019**	**0.015**	**0.016**
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Occupation FE		✓		✓	✓
Firm FE			✓	✓	✓
District FE					✓

NOTE: N=383,364. **Bold** coefficients indicate significance at the 1%-level. All regressions control for education, experience and whether the ad was placed directly by the employer. See Table 2 for skill group classification.

Table A.3: Job ad characteristics (alternative job board)

	Mean	Std. Dev.	Min	Max
Monthly salary	2701.85	866.08	500	10000
# words	266.57	95.55	32	1101
Urban area	0.63	0.48	0	1
University required	0.24	0.43	0	1
For job beginners	0.04	0.19	0	1
# days online	5.26	3.80	0	15
# skills	3.29	1.75	0	12

Skill	Share	Skill	Share
Communicative	0.48	Leadership	0.18
Language	0.48	Stress-tolerant	0.15
Teamwork	0.40	Programming	0.14
Self-reliant	0.34	Organized	0.10
Analytical	0.32	Creative	0.09
MS-Office skills	0.28	Assertive	0.07
Reliable	0.20	Entrepreneurial	0.05

NOTE: N=41,374. A vacancy is classified as *urban* if the job is located in a district of the six largest Austrian cities (Vienna, Graz, Linz, Salzburg, Innsbruck and Klagenfurt).

Table A.4: Wage regressions (alternative job board)

	(1)	(2)	(3)	(4)	(5)
# skills	**0.012**	**0.013**	**0.013**	**0.014**	**0.014**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Analytical skills	**0.089**	**0.056**	**0.059**	**0.045**	**0.044**
	(0.003)	(0.003)	(0.003)	(0.002)	(0.002)
Communication skills	**0.013**	**0.020**	**0.015**	**0.016**	**0.016**
	(0.003)	(0.003)	(0.002)	(0.002)	(0.002)
Managerial skills	**0.122**	**0.121**	**0.128**	**0.117**	**0.118**
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Other hard skills	**0.054**	**0.048**	**0.014**	**0.021**	**0.020**
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Other soft skills	**-0.066**	**-0.046**	**-0.028**	**-0.019**	**-0.018**
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Occupation group FE		✓		✓	✓
Firm FE			✓	✓	✓
District FE					✓

NOTE: N=41,374. **Bold** coefficients indicate significance at the 1%-level. All regressions control for the number of days that an ad is online and indicators for university education and whether an ad is specifically for job beginners. See Table 2 for skill group classification.