

WHICH POLICIES FOR THE DEVELOPMENT OF KNOWLEDGE-INTENSIVE JOBS?

Socio-fiscal Policies Research Group

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How does job upgrading take place in the era of technology-driven, knowledge-intensive growth? Can government policy affect the ways in which knowledge-intensive employment is generated in an economy? If yes, what are the institutional and policy mechanisms at stake, i.e. which knowledge-intensive growth strategies (or policy mixes) do countries pursue? How have countries which have been particularly successful in catching up via innovation driven expansion of the knowledge economy, such as South Korea, Finland, Estonia, and Ireland, used government policy to navigate these policy goals? Can we identify different country level strategies among them? These questions are of high policy relevance since a key strategic aim of EU member states is to boost creation of high-wage knowledge-intensive jobs. The aim of this project is to throw light on policy packages, i.e. policy mixes, and identify functional complementarities between institutions that facilitate job upgrading in the knowledge economy.

Research problem

With the information and communication technology (ICT) revolution that has been taking place over the past decades, knowledge and skills have been identified as key inputs for economic growth and job creation across the EU and beyond. Many studies have focused on policies aimed at creating skills, while few have examined the demand for high skills in the labour market, and policies which are able to stimulate it. There is an implicit assumption in the comparative political economy literature that it is enough for the state to create skills through investment in human capital, following which firms 'automatically' create well-paid knowledge-intensive jobs to match those skills. Literature on job creation in the knowledge economy is compartmentalised along disciplinary lines which examine the different components of public policy directed at enhancing the performance of the so-called knowledge economy. Typically, single policy instruments and their specific strengths and weaknesses are analysed. Such state-of-the-art does not offer an overview of comprehensive government efforts to create knowledge-intensive jobs, nor does it help us to think of creation of knowledge intensive jobs in an integrated fashion.

Methodological approach

Interdisciplinary review of academic and policy literature on creation of jobs in the knowledge economy across OECD since the 1980s.

Interdisciplinary review of academic and policy literature on innovation and knowledge driven policies across OECD since the 1980s.

Three groups of countries as case studies:

- i) *leaders* – those where job upgrading has been taking place continually over the past 40 years;
- ii) *newcomers* – those where job upgrading is a more recent phenomenon that has been occurring since the early 2000s;
- iii) *laggards* – those where significant job upgrading has not taken place.

Workshops with economists and economic geographers from Sciences Po have taken place to identify types of policy mixes for job creation in the knowledge economy.

Knowledge-intensive growth strategies (policy mixes) in *newcomer* countries

Typology:

1. Internally driven strategy – innovation & internationalisation via domestic firms
 - 1.1 Targeted industrial policy & development of industrial commons in specific sectors (case S. Korea)
 - 1.2 Investment in innovation as a public good (case Finland)
2. Externally driven strategy – innovation & internationalisation via foreign direct investment
 - 2.1 Reliance on imported labour input (case Ireland)
 - 2.2 Social investment (case Estonia)

Country cases

Policies of *newcomer* countries are of particular interest because they have been catching up with the more advanced economies through high growth in knowledge-intensive sectors:

Estonia

Finland

Ireland

South Korea

Leaders: *Sweden, The Netherlands, United Kingdom, Germany*

Laggards: *Italy, Greece, Spain, Poland*

The following policies are identified as the most relevant and their interdependencies explored:

- Innovation policies
- Industrial policies
- Tax and competition policies
- Wage bargaining
- Human capital and welfare state

Outputs

- Peer-reviewed article on knowledge-intensive growth strategies (i.e. policy mixes) and job creation in newcomer countries.
- Peer-reviewed article on knowledge-intensive growth strategies (i.e. policy mixes) and job creation in leader and laggard countries.
- LIEPP Policy Brief