

# WHICH POLICIES FOR THE DEVELOPMENT OF KNOWLEDGE-INTENSIVE JOBS?

How does job upgrading take place in the era of technology-driven, knowledge-intensive growth? Can government policy affect how knowledge-intensive employment is generated in an economy? If yes, which institutional and policy mechanisms are used, 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 used government policy to navigate these policy goals? Can we identify different strategies among them? Policies of newcomer countries – Korea, Finland, Ireland and Estonia – are of particular interest for this project because they have been catching up with the more advanced economies through high growth in knowledge-intensive sectors.

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.

## Socio-fiscal Policies Research Group

### Project team:

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Trained in social science, he has a PhD in Political science, and is a former student of Ecole Normale Supérieure. Currently, he conducts various comparative projects on welfare reforms in Europe.

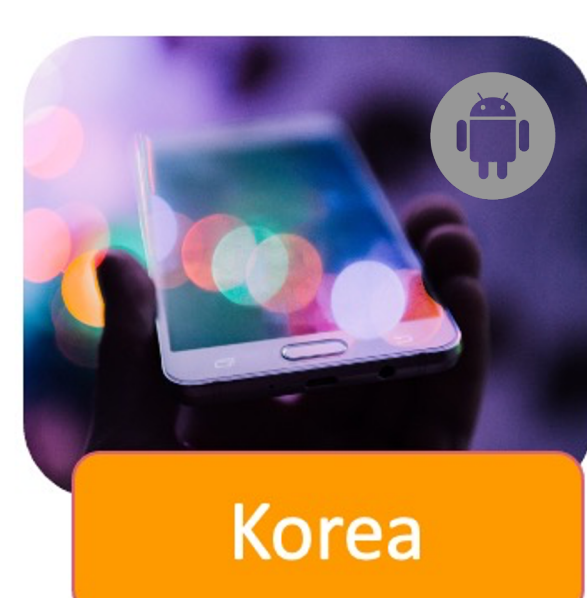
#### Sonja AVLIJAŠ



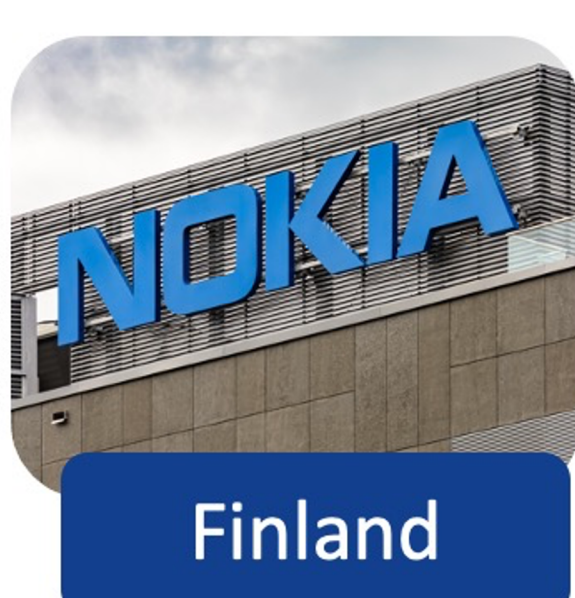
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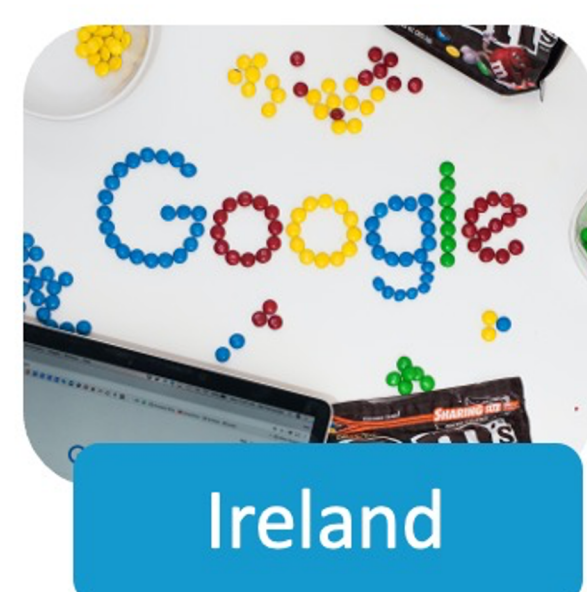
### Four country cases



Korea



Finland



Ireland



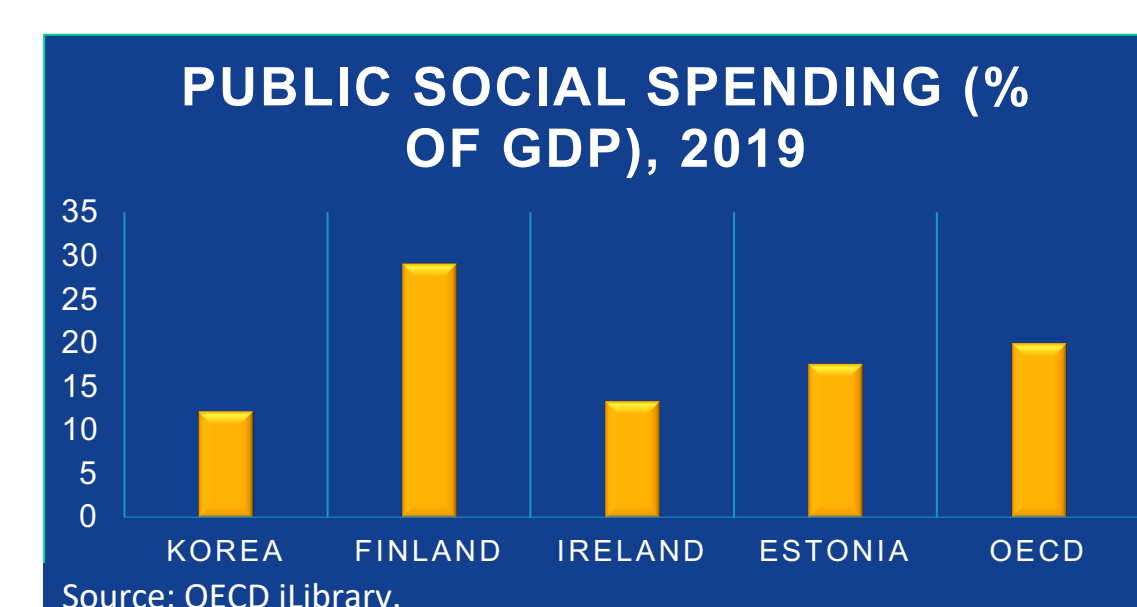
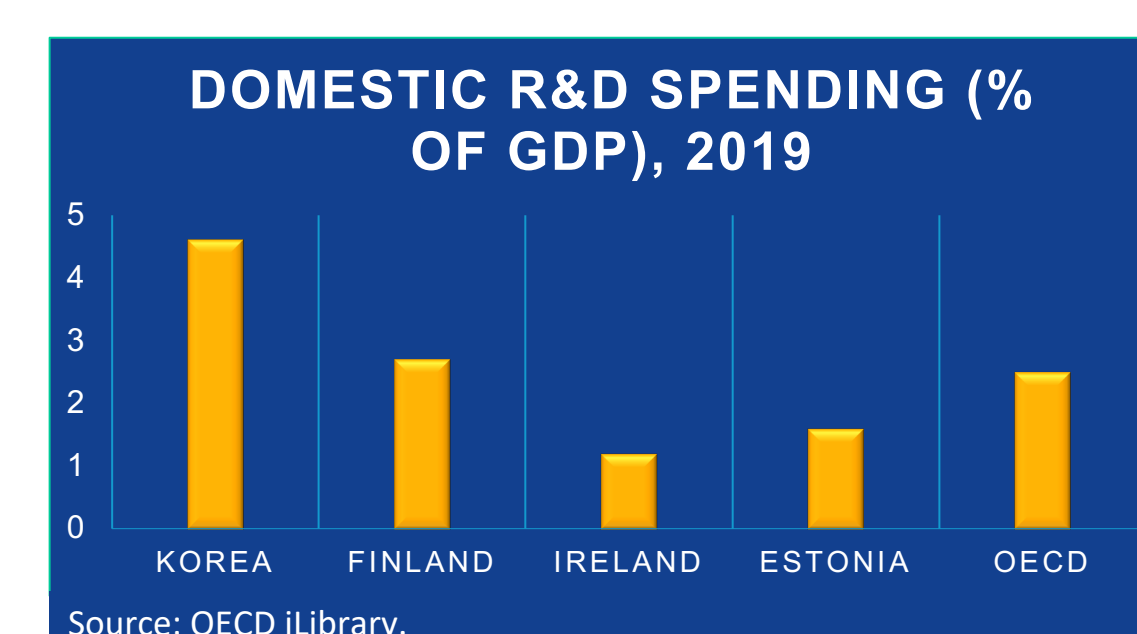
Estonia

### Drivers of innovation

Policy focus on internationalization of innovative domestic companies

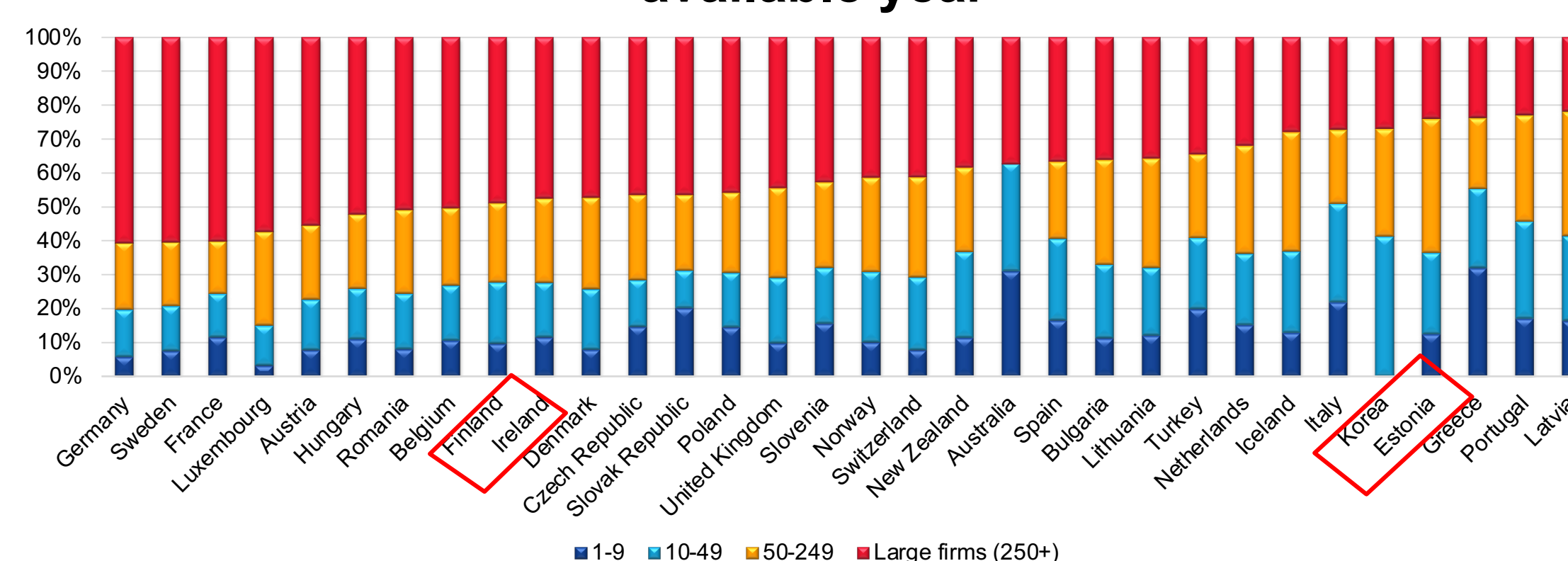
Policy focus on foreign direct investment as source of innovation

### Fiscal policy



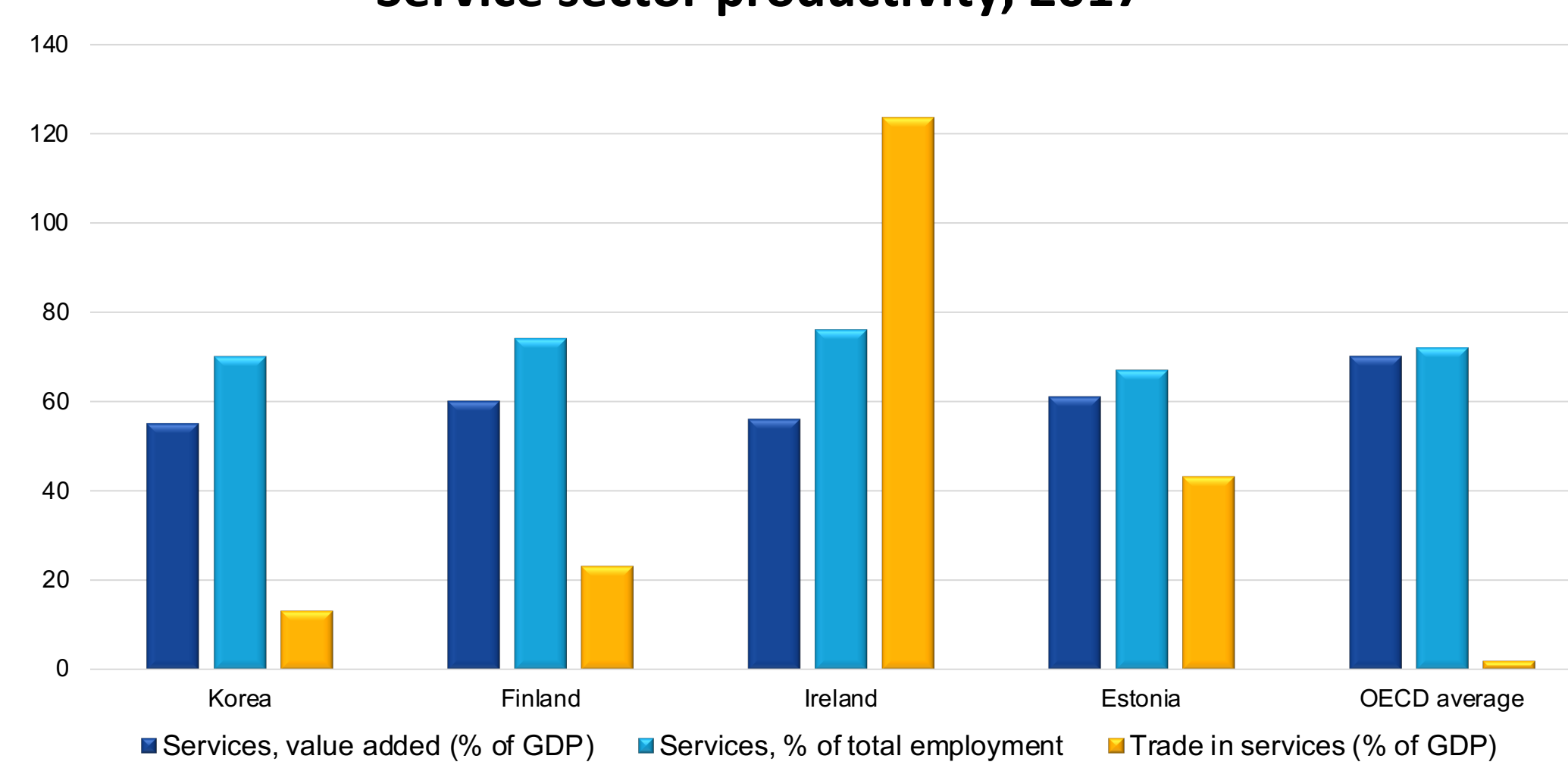
### Selected labour market indicators

Share of employment in total business economy by firm size (no. of employees), 2018 or last available year



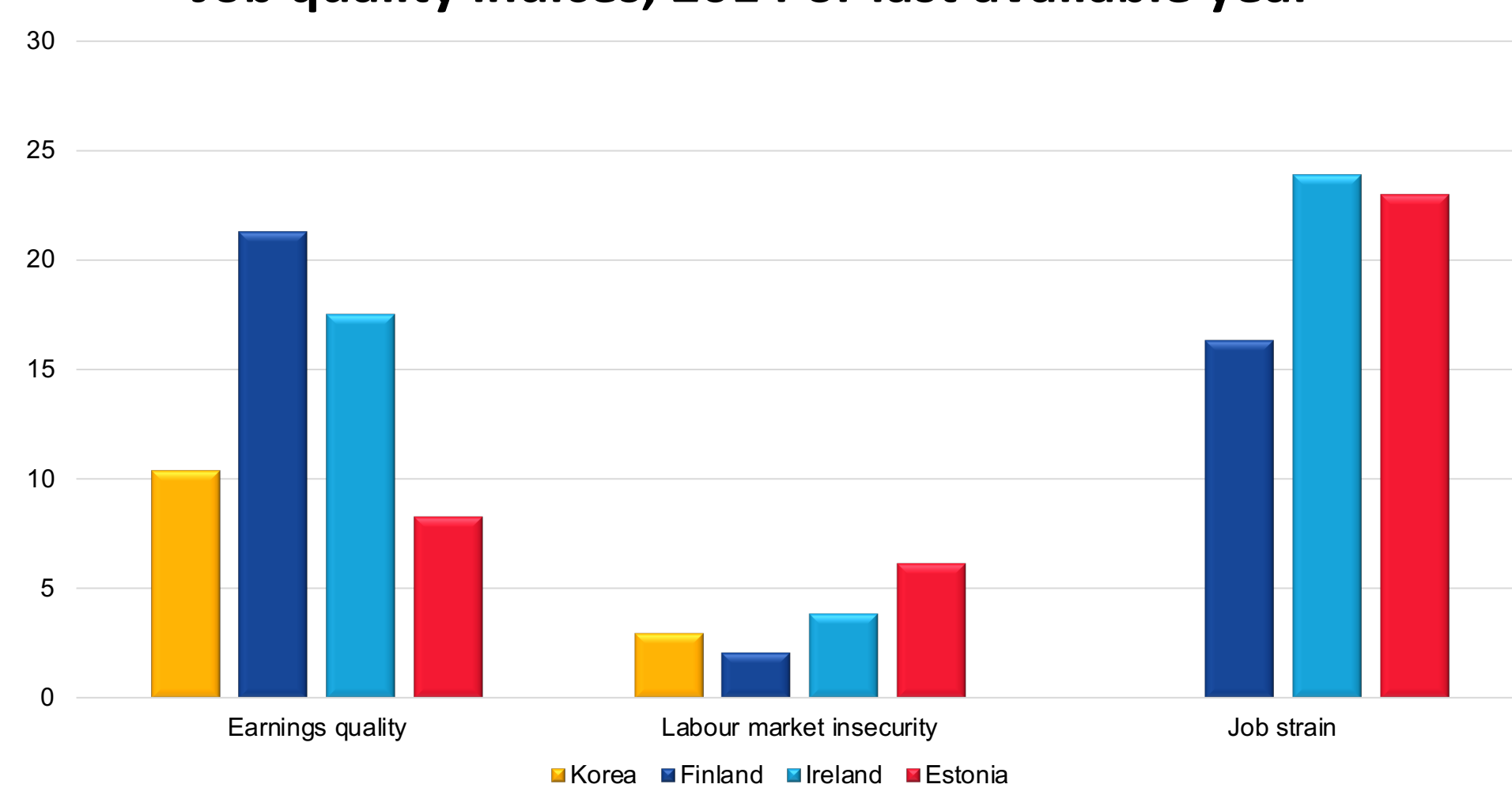
Source: OECD Structural and Demographic Statistics (ISIC Rev.4)

Service sector productivity, 2017



Source: World Bank indicators.

Job quality indices, 2014 or last available year



Source: OECD.Stat (from ILOSTAT database). Note: No job strain data available for Korea.

### Key findings

- Korea** – Innovation policy focus on manufacturing *chaebols* (large business groups). SMEs in the less productive service sector, where most people are employed (dualized LM). Government support to SMEs abundant, but not focused on innovation –serves to replace the social safety net. Innovation policy not focused on the service economy.
- Finland** – Innovation as a public good, along with social investment. Innovation support for both large firms and SMEs in manufacturing and services, employment is evenly split between the two. Larger firms are more innovative and internationalized.
- Ireland** – Innovation via large MNCs (ICT / fintech) through attractive tax policy and business deregulation. Exclusion of SMEs from innovation policy. Employment evenly split between large firms and SMEs (dualized LM). Liberal WS.
- Estonia** – Innovation via FDI and domestic SMEs (esp. ICT unicorns). Specialisation in exports of dynamic services. World leader in connection of both SMEs and large firms with global innovation networks. Most employment in SMEs. Social investment and safety nets constrained by fiscal and social attractiveness to attract FDI.

### Which policies?

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

- Innovation policies
- Industrial policies and SME development
- Tax and competition policies
- Public procurement
- Wage bargaining
- Human capital and welfare state