

Firms' access to labour for innovation

Access to labour and labour conditions are key determinants in the success of innovative businesses. Skilled labour, in particular, is essential for these businesses, since innovation is a key driver of their success. Moreover, high labour costs or cumbersome hiring and firing conditions can adversely affect the operation of these businesses.

What are the key policy dimensions regarding access to labour and innovation in firms?

Common policy challenges across several policy dimensions are particularly relevant and include:

- How to balance innovative businesses' need for labour flexibility with job protection (see [Costs of hiring and firing](#) [1]).
- How to encourage innovative companies to invest in training their employees (see [Skilled labour](#) [2]).
- How to encourage the immigration of skilled labour in the context of global competition for such labour (see [Migration](#) [3]).

What are the main rationales for policy interventions in support of firm's access to labour?

Market failures can affect access to labour, requiring policy discussions and potential interventions:

- While the social returns from employee training might be high, as society in general benefits from increased human capital, the return on investment may not be as great, since employees might join competitor firms.
- System failures may lead to a lack of skilled labour, and this mismatch between supply and demand can hinder innovative businesses. Single firms may find the cost of establishing adequate training facilities to be prohibitive, even though such facilities will collectively benefit all firms. Inadequate labour regulations, including those impacting on migration, can also have a negative effect on innovative businesses.

What are the main policies that influence access to labour in the context of innovation in firms?

Public policy can influence:

- Costs of hiring and firing (see [Costs of hiring and firing](#) [1]) by:

Focusing on workers rather than jobs (e.g. by sustaining workers during periods of unemployment and job-to-job transitions).

Minimizing the uncertainty and time delays caused by contested dismissals that are legally challenged.

Abiding by principles of good regulation (e.g. simplifying the principles and application of regulations, and having transition periods to new regulations).

Improving access to information regarding employment legislation (e.g. by creating a single point of contact for information).

- Skilled labour (see [Skilled labour](#) [2]) by:

Strengthening lifelong education and training for innovation (e.g. raising attainment levels and the general quality of education, and introducing innovative learning practices into traditional disciplines).

Strengthening an innovation culture and raising public interest in science and technology (S&T), in order to attract young people to pursue higher education in S&T disciplines (e.g. through large public communication and joint research projects involving youth and senior scientists).

Identifying future skill needs and ensuring the delivery of the right mix of skills through education.

Facilitating the mobility of a highly skilled workforce to aid in the cross-fertilization of ideas and learning, and to address structural mismatches in supply and demand for highly skilled workers (e.g. by allowing transferable pension rights and providing advice and training programs to help in job transitions).

- Migration (see [Migration](#) [3]) by:

Supporting and attracting skilled foreign students, workers and entrepreneurs (e.g. by providing education, training, guidance and mentoring, and improving their network-building capacities).

References

- OECD (2012b), OECD Science, Technology and Industry Outlook 2012, OECD Publishing. doi: 10.1787/sti_outlook-2012-en
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- OECD (2010), SMEs, Entrepreneurship and Innovation, OECD Studies on SMEs and Entrepreneurship, OECD Publishing. doi: 10.1787/9789264080355-en
- OECD (2010), Open for Business: Migrant Entrepreneurship in OECD Countries, OECD

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