

Global Value Chains, Skills and Innovation Activities in Firms: Conceptual Issues

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Research problem

- Potential income trap in Central and Eastern Europe (EBRD, 2017)
- Low-costs vs. productivity based growth
- Regional innovation paradox (Oughton et al, 2002; Muscio et al. 2015)

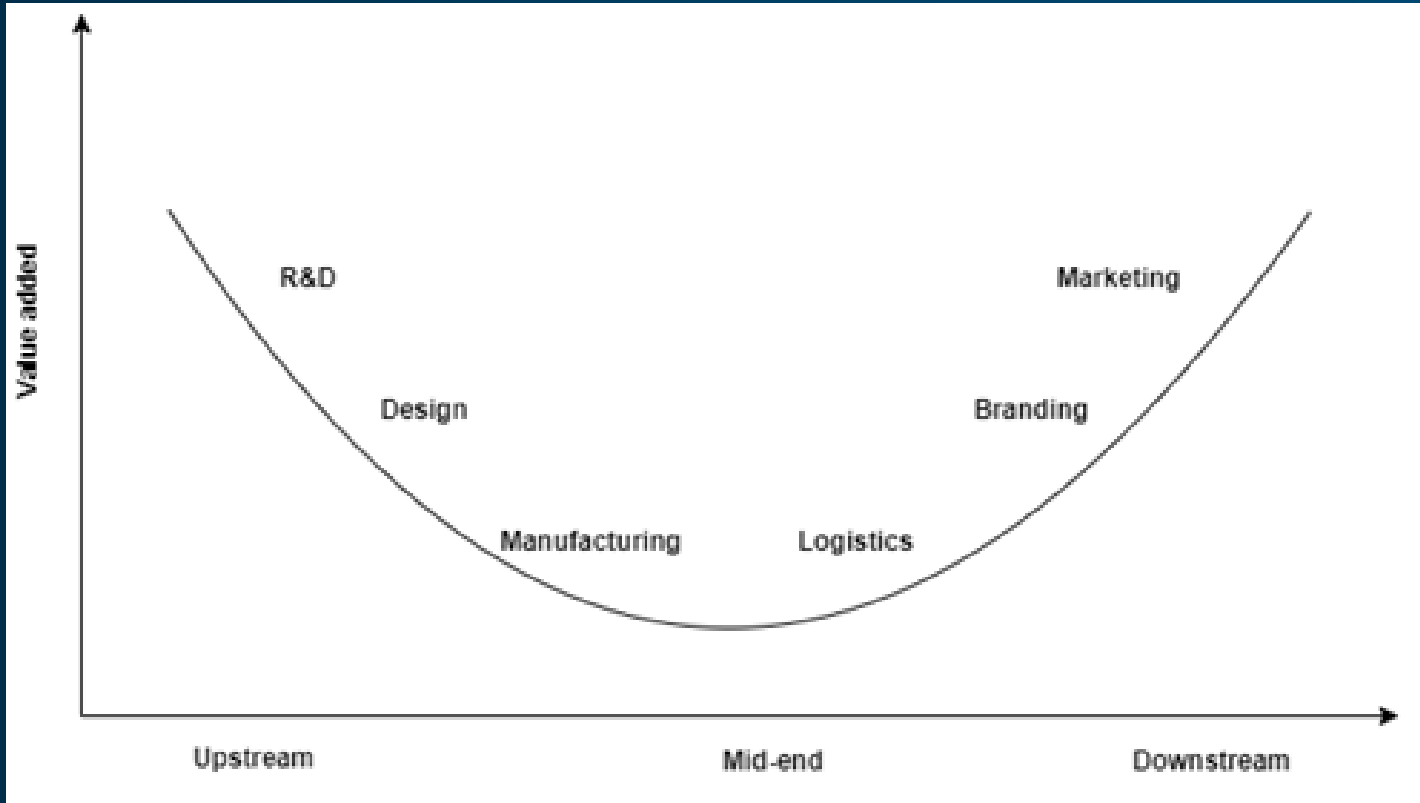
Alternative explanations

- Endogenous growth (Romer, 1990; Jones, 1995)
- Institutional compatibility (Bohle & Greskovits, 2012; Norkus, 2008; 2012)
- Institutional effectiveness (Pritchett, 2001)
- Industrial structure (Moncada-Paternò-Castello et al., 2010)
- Can greater involvement in GVCs help to improve innovativeness of CEE economies and provide an escape from the potential trap? (cf. Vivarelli, 2014)

The scope of the paper

- The discussion of the conceptual analysis of links between GVCs and skills
- The discussion of the conceptual analysis of links between GVCs and innovation
- The development of a framework connecting skills, innovation, and GVCs

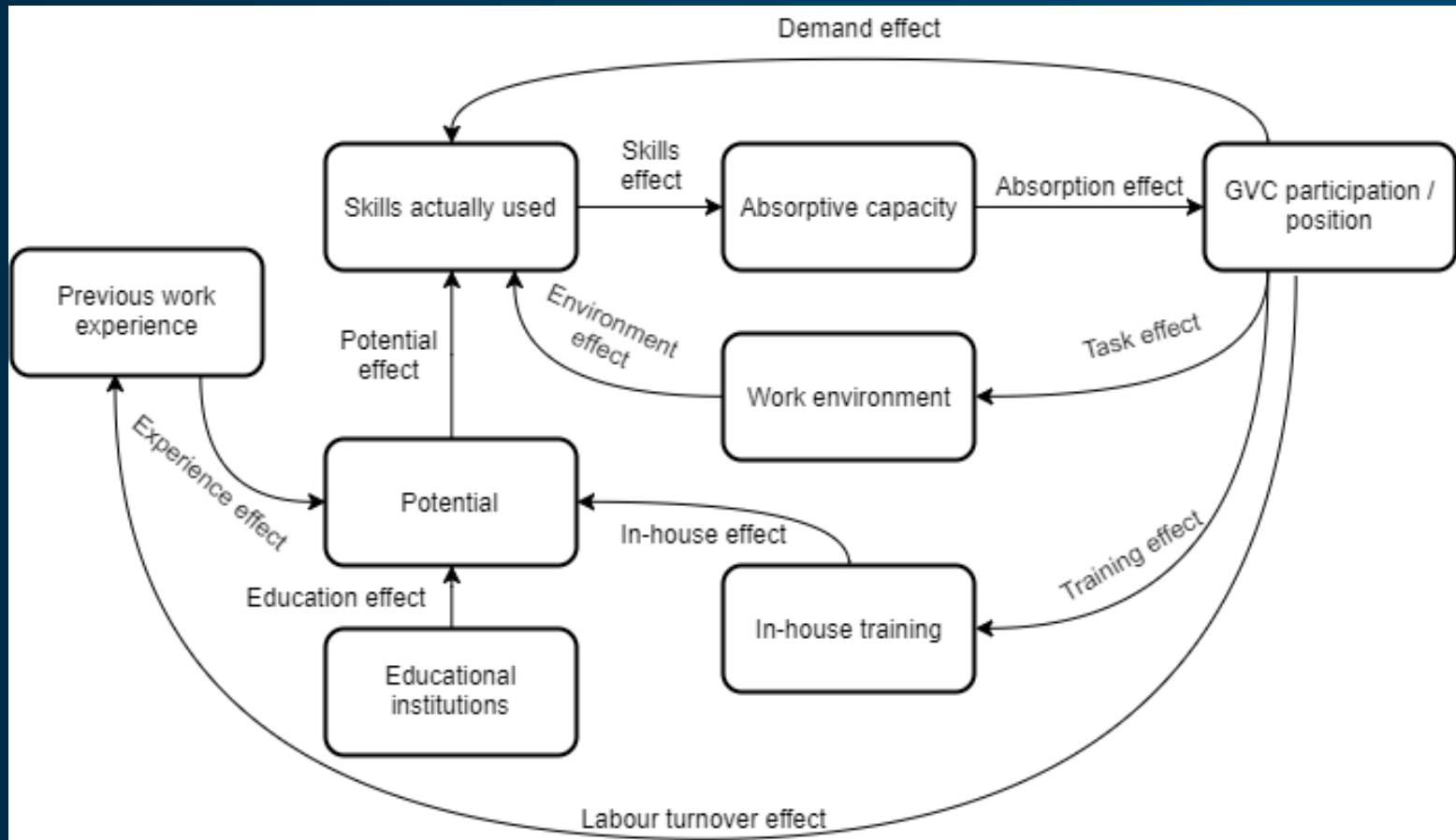
Structure of GVCs



Mudambi, R. (2008). Location, control and innovation in knowledge-intensive industries. *Journal of Economic Geography*, 8(5), 699-725.

Skills and GVCs (I)

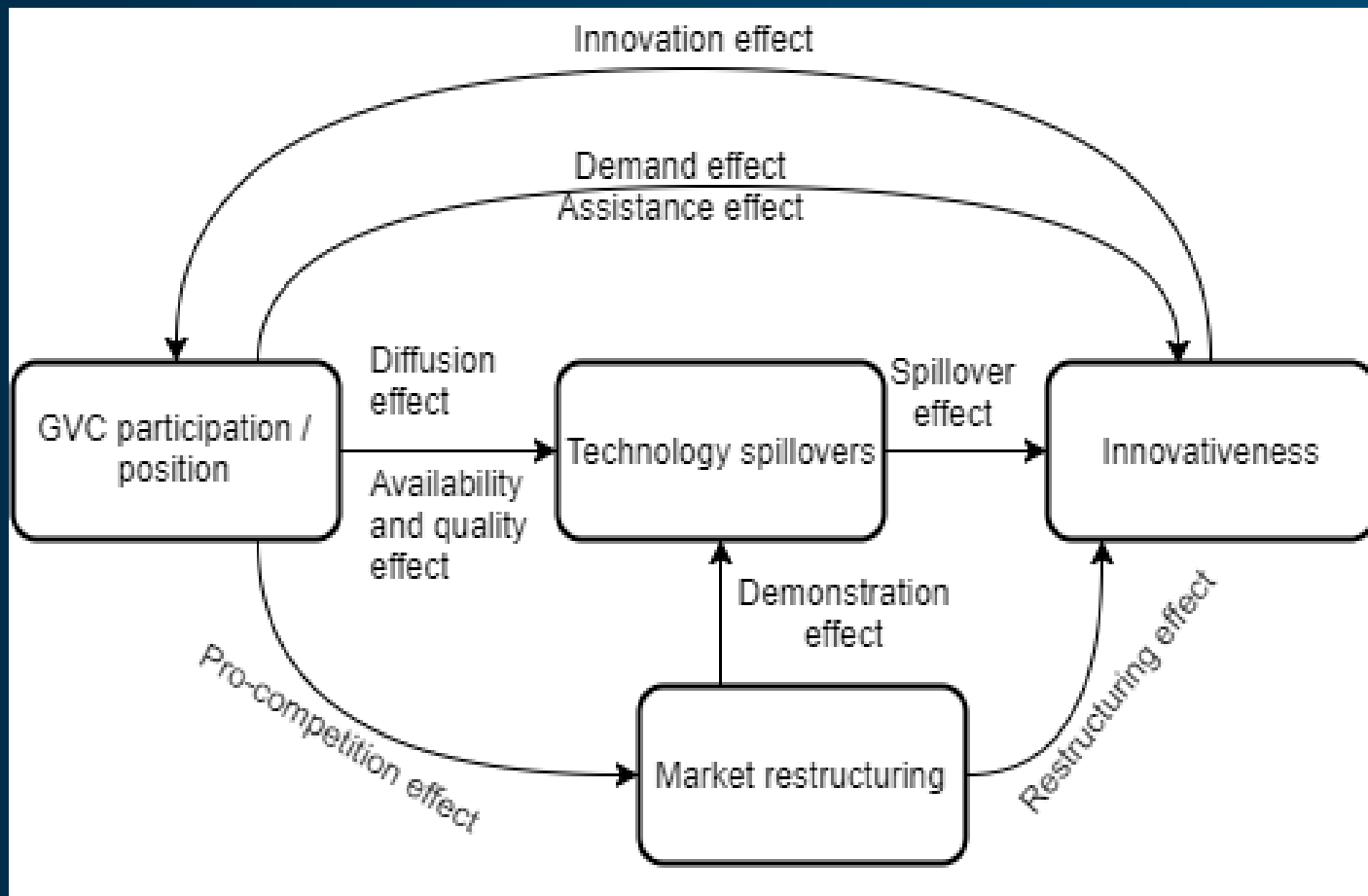
- Absorptive capacity and knowledge (Zahra & George, 2002; Cohen and Levinthal, 1990; Guliani and Bell, 2005)
- Firm decision – invest in labour or capital?
- Potential vs. actuality and measuring skills:
 - Education
 - Compensation
 - Tasks at the workplace
- Endogeneity



Partly based on Taglioni, D., & Winkler, D. (2016). *Making global value chains work for development*. The World Bank.

GVCs and innovation (I)

- **Technology spillovers**
- **Market restructuring and domestic pressures**
- **Innovativeness**



Partly based on Taglioni, D., & Winkler, D. (2016). *Making global value chains work for development*. The World Bank.

Discussion

- The **main implications** from the analysis are:
 - It is important to distinguish skill potential and actually used skills. Actually used skills help to better define the absorptive capacity.
 - Absorptive capacity is a driver of GVCs involvement and position.
 - GVCs provide push toward higher labour skills.
 - Higher GVCs positions are associated with higher innovation activities.
 - Higher skills are associated with higher innovativeness.

Thank you!

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