

# Productivity Policy for Places

Workshop 1

## The Innovation Productivity Paradox

3 March 2021 and 5 March 2021 | Virtual



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## Workshop 1

# The Innovation Productivity Paradox

## ■ Background

Productivity is the main determinant of living standards. Productivity growth, however, has been falling since the beginning of the century in many OECD countries, accompanied by the increasing interregional divergence in productivity performance within countries. A sole focus on national drivers of productivity at the level of industries and firms appears to be ill-equipped to offer solutions that would contribute to closing the gap across regions. An explicit focus on the spatial dimension of productivity is needed in order to better understand the recent productivity dynamics and to devise policy approaches able to boost the aggregate productivity growth and to decrease interregional inequalities.

Different levels of government play an important role in enhancing productivity. National-level regulation is crucial to create an environment that sets incentives for innovation and productivity upgrading and steers innovative activity towards labour augmenting, rather than labour saving, technologies. The provision of the basic building blocks for higher productivity, such as training and education at the individual level, access to capital for firms, and, more generally, access to knowledge fall to varying degrees into the mandate of all levels of government.

## ■ The Innovation-Productivity Paradox

Productivity growth is slowing down, despite increased spending on R&D and a policy focus on innovation. Analyses that try to link regional innovation expenditure and productivity performance typically fail to find a robust (positive) relationship. Some studies highlight the regional “absorptive capacity” as a mediating factor that needs to be taken into account. This is in line with the OECD work, which finds that only growth in economically advanced regions is positively associated with the R&D spending. Another reason is that global R&D expenditure is highly concentrated in certain (goods producing) sectors and in certain (multi-national) firms. Despite these drawbacks, targets for R&D spending remain a key element of many innovation policies.

Leveraging innovation for regional (productivity) growth requires a broader view with the discussion following some guiding questions:

- What are the barriers to the (positive) link between innovation and productivity?
- What strategies can be used to support firm development without reverting to the traditional “picking winners”-type of industrial policies? How successful strategies differ by type of a region (e.g. large cities, medium-sized cities, rural areas with access to agglomerations, rural remote)?
- Are there new industrial strategies that can create benefits for regional growth while retaining incentives for competition?
- How can a regional industrial strategy build on regional innovation systems (e.g. through linking with initiatives such as the Regional Innovation and Smart Specialisation Strategies; RIS3)?
- What are the challenges different types of regions and cities will be facing as the OECD economies recover from the crisis and what opportunities are there in “building back better”?

## ■ Venue

Virtual via Zoom

# Agenda

[Central European Time]

## 3 March 2021

### 14.00-14.20 Welcome & opening remarks

**Rudiger Ahrend**, Head of Economic Analysis, Data and Statistics Division, Centre for Entrepreneurship, SMEs, Regions and Cities, OECD

**Peter Berkowitz**, Head of Unit, Smart and Sustainable Growth, Directorate General for Regional and Urban Policy, European Commission

### 14.20-15.30 The Innovation Productivity Paradox – Where do we stand?

MODERATOR **Alexandra Tsvetkova**, Economist, Spatial Productivity Lab and Trento Centre for Local Development, OECD

### 14.20-14.45 SCENE SETTER **Raquel Ortega-Argiles**, Chair in Regional Economic Development, University of Birmingham and City REDI, Birmingham Business School, UK

### 14.45-15.30 REACTIONS **Philippe Aghion**, Professor at the Collège de France, France

**Maria José Aranguren**, General director of Orkestra, Spain

**Tom Guevara**, Director, Indiana University Public Policy Institute, USA

**Agnė Paliokaitė**, Director of Visionary Analytics, Lithuania

### 15.30-15.45 Break

### 15.45-16.45 Open discussion with all workshop participants

### 16.45-17.00 Summary and closing remarks

**Rudiger Ahrend and Peter Berkowitz**

## 5 March 2021

### 14.00-14.20 Welcome & opening remarks

**Rudiger Ahrend**, Head of Economic Analysis, Data and Statistics Division, Centre for Entrepreneurship, SMEs, Regions and Cities, OECD

**Peter Berkowitz**, Head of Unit, Smart and Sustainable Growth, Directorate General for Regional and Urban Policy, European Commission

### 14.20-15.30 The Innovation Productivity Paradox – Implications for Regional Policy

MODERATOR **Lukas Borunsky**, Economist, R&I Strategy and Foresight, European Commission

### 14.20-14.45 SCENE SETTER **Thanos Fragkandreas**, Birkbeck University of London, UK, and Goethe University Frankfurt, Germany

### 14.45-15.30 REACTIONS **Lilas Demmou**, Senior Economist, Economics Department, OECD

**Jennifer Maria Grisorio**, Economist, Apulia Regional Agency for Technology and Innovation, Italy

**György Nagyházi**, Counsellor, Ministry of Innovation and Technology, Hungary

**Jakob Richter**, Head of the Office of the Hamburg Metropolitan Region, Germany

### 15.30-15.45 Break

### 15.45-16.45 Open discussion with all workshop participants

### 16.45-17.00 Summary and closing remarks

**Rudiger Ahrend and Peter Berkowitz**

## ■ About the high-level expert workshops

This workshop is part of a series in the context of an EC-OECD project “Productivity Policy for Places”.

The workshops consider the topic from five angles: The productivity-innovation paradox; Productivity in the private sector; Productivity in the public sector; Productivity and inclusiveness; and Productivity and resilience.

The outcomes of the workshops will underpin an OECD report and form the basis for a broader discussion with stakeholders on the future direction of policy design for sustainable transitions for more productive regions and cities. As such, the work will be relevant for policy-makers at all levels of government interested in improving the long-term perspective of regional policies and their contribution to sustainable economic development.

The OECD Centre for Entrepreneurship, SMEs, Regions and Cities provides comparative statistics, analysis and capacity building for local and national actors to work together to unleash the potential of entrepreneurs and small and medium-sized enterprises, promote inclusive and sustainable regions and cities, boost local job creation, and support sound tourism policies.

[oecd.org/CFE](https://oecd.org/CFE)

### CONTACT

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