International Journal of Scientific Research in Science and Technology
© 2018 IJSRST | Volume 4 | Issue 11 | Print ISSN: 2395-6011 | Online ISSN: 2395-602X
Themed Section: Science and Technology

A Critical Study of Labour Mobility and Economic Performance

Dr. Neelu Kumari
M.A., Ph.D. Home-Science,
B.R.A. Bihar University, Muzaffarpur (Bihar)

ABSTRACT

Human capital is widely regarded as a source of wealth (Becker, 1962; Glaeser, 2000). Human capital accumulates at the firm level through education, learning-by-doing and learning-by-interacting, but may also be acquired externally. Since knowledge—or work-specific skills—ultimately rests within individuals, the mobility of skilled individuals is frequently stressed as a crucial factor behind knowledge transfer and the competitiveness of firms and regions (Lawson, 1999; Gertler, 2003; Hudson, 2005; Rodriguez-Pose and Vilalta-Bufi, 2005). In contrast to factors of production such as capital and commodities, which can be traded and moved, other conditions apply for labour. For example, employers cannot hinder personnel to change work if they desire to do so. An increasingly knowledge-intense production brings about a situation where departing workers cannot leave everything behind, because they are carriers of vitalinformation and experiences that follow them to their next workplace. Based on this mechanism, job mobility of skilled labour is regarded to facilitate the dissemination of embodied tacit knowledge (Almeida and Kogut, 1999; Maskell and Malmberg, 1999; Cooper, 2001; Power and Lundmark, 2004). Experiences and routines accumulated by individuals at work are seldom codified in terms of texts or documents, but gained knowledge lingers within individuals and epistemic communities to which they are associated (Basant, 2002; Grabher, 2002).

I. INTRODUCTION

Labour migration can be a vehicle for responding timely and effectively to labour market needs and changes, for stimulating innovation and development, as well as for transferring and upgrading skills. The full breadth of these benefits largely is not realized for a number of reasons. Migration is still too frequently associated with unacceptable labour abuses. Too many migrants face high social and economic costs in the migration process, inequality and discrimination in the workplace and in destination country, and integration programs have had mixed results.6 Migration policies are adopted with a wide range of objectives and have not consistently incorporated labour market evidence. In many countries labour ministries, employers' organizations, business, and workers' organizations are not given an opportunity to engage in dialogue on migration in a meaningful way. Furthermore, the prosperity generated by migration has not been shared equally among migrants, or the origin and destination countries

On a personal level, increased labor mobility gives workers an opportunity to improve their financial situations. If workers are permitted to train for new jobs, move locations, or seek higher wages, they are more likely to be happy working, which can have a positive impact on productivity. Workers who do not feel indefinitely relegated to low wages or jobs with few benefits will consistently seek better positions, which also makes it easier for new industries to attract the most qualified applicants by offering better perks.

In science-based industries, there is growing evidence that the mobility of star scientists and key engineers acts as a key mechanism through which knowledge diffuses among firms (Saxenian, 1994; Pinch and Henry, 1999). Almeida and Kogut (1999) have demonstrated that knowledge spillovers in regions like Silicon Valley can be mainly attributed to inter-firm mobility of engineers which were defined as major patent holders in semiconductors. These benefits of labour pooling are often believed to exceed the downsides of labour mobility (i.e. labour poaching) that reduce the incentive of firms to invest in their own employees (Kim and Marschke, 2005; Combes and Duranton, 2006; Fallick et al., 2006). Next to this knowledge transfer argument, labour mobility also enables structural change in an economy, which is crucial for long term economic development. Since each economy is subject to processes of economic decline in some sectors now and then, it needs flexible labour markets to ensure redundant labour will move to sectors that are still going strong (Pasinetti, 1981). Accordingly, labour mobility is required to smooth this process of creative destruction and lower the costs of adjustments (Aghion et al., 2006).

What is often implicit in this literature, however, is that the effect of labour mobility is almost taken for granted, as if the new employees are smoothly integrated in the organization of the firm, and as if the new employees will contribute to the further knowledge creation in the firm. One of the reasons is that this literature has drawn little attention to the types of knowledge and skills that are transferred between firms through job-hopping. There is a growing literature though that attaches great importance to the type of knowledge being transferred between firms through the son called spinoff process (Klepper, 2002). Spinoff companies are being defined as new firms that are founded by former employees in the same sector. As such, spinoff companies are depicted as a particular form of labour mobility in which the type of knowledge that is transferred from a parent company to the newly established firm matters for the survival of the new entrant. Empirical studies (Klepper, 2002; Wenting, 2006; Boschma and Wenting, 2007) have demonstrated that spinoff companies and experienced firms, founded by entrepreneurs that had a background in the same or related industries, respectively, increased their survival to a considerable degree, as compared to start-ups lacking related competences and skills (inexperienced firms).

We will extend this insight to labour mobility in general. We claim that new employees, besides the entrepreneur, may also bring in valuable knowledge and contribute to the performance of firms (Dahl and Sorenson, 2007). However, we claim that this will depend on what kind of knowledge is brought in, and how that matches the existing knowledge base of the firm.1 This insight is well understood in innovation studies that stress the importance of absorptive capacity of firms to communicate, understand and integrate external knowledge (Cohen and Levinthal, 1990). What has attracted growing attention is that it is not just a matter of having absorptive capacity or not, but whether external knowledge is close, but not quite similar to the existing knowledge base of the firm. Nooteboom (2000) claims that inter-firm learning requires a certain degree of cognitive proximity between firms to enable effective communication, but not too much cognitive proximity to avoid lock-in. This has, for instance, been found in a study on technological alliances between large firms in chemical, automotive and pharmaceutical industries (Nooteboom et al., 2007). This study demonstrated

empirically that there exists an inverted U-shaped function between the cognitive distance with partners in technology-based alliances and the innovation performance of firms.

The economic effect of labour mobility has also drawn attention from economic geographers. One reason is that the overwhelming majority of job moves occurs within regions. This is especially true for regions with similar or related economic activities: clusters are characterized by a level of local labour mobility that is higher than elsewhere in an economy (Power and Lundmark, 2004). It is widely acknowledged that labour is the most immobile factor of production: most people stay in their home regions without reflecting on leaving the present locality, implying that knowledge transfer via job mobility predominantly is a local process. Fischer et al. (1998) argue that there is a negative relationship between duration of stay and propensity to move. Place-specific human capital takes time to accumulate and will be a sunk cost if moving elsewhere. Relations to friends, relatives, clients and colleagues would be significantly interrupted due to such a change. Empirical studies have confirmed that people with long durations of stay are less likely to change either workplace or, in particular, region of residence (Gordon and Molho, 1995; Eriksson et al., 2008).

Before assessing the relative importance of these different types of external knowledge though, we need to assess the impact of intra-firm learning on firm performance (Maskell, 2001; Sternberg and Arndt, 2001). While it is common knowledge that human capital at the firm level (as proxied by the level of research or the educational level of the personnel) positively impacts on firm performance, there is still little understanding of whether particular types of competence portfolios at the plant level enhance the performance of plants (Lacetera et al., 2004). While absorptive capacity is certainly needed to understand and implement the new skills at the plant level, we expect plants with employees with related or complementary competences to perform better, because this type of portfolio will particularly enhance interactive learning between employees within a plant, in contrast to plant portfolios that consist of employees with either similar or unrelated competences.

Lastly, while new employees may provide a new source of knowledge and trigger new ideas, it is still uncertain whether new employees should come from the same region or from elsewhere to have the largest impact on firm performance. As noted above, economic geographers often claim that geographical proximity may be beneficial because it facilitates the understanding and implementation of new knowledge, but it may also be detrimental to the firm because it may worsen lock-in (Boschma, 2005). In the literature, increasing attention is paid to the role of extra-local linkages, since too much reliance on merely local knowledge may result in lock-in that may be harmful to performance of firms and regions (Scott, 1998; Bresnahan et al., 2001; Asheim and Isaksen, 2002; Bathelt et al., 2004; Faggian and McCann, 2006). We argue that the effects of labour mobility on firm performance can only be accounted for after differentiating between types of labour inflows, in this case depending on whether new employees are recruited from the same region or from other regions.

Overall, this implies that intra-regional labour mobility is not necessarily contributing to firm performance, because that depends on the types of skill inflow. This also implies that labour mobility crossing regional boundaries is not necessarily good or bad for firm performance. Once again, that depends on the types of skills that flow into the firms, and to what extent these match the existing skill portfolio of firms. As explained above, inflows of unrelated skills from other regions will most likely harm the performance of firms; while, inflows of similar skills across regions will be less damaging for firm performance, as compared to inflows of similar skills from the same region. What we expect then is that labour mobility between regions is

most beneficial for firm performance when it concerns new employees that bring related skills into the firm, as compared to either inter-regional inflows of similar skills, or inter-regional inflows of unrelated skills.

References:

1. Rogerson, P. A. (2006) Statistical methods for geography: A student's guide, 2nd edn. London: Sage Publications
2. Andersson, J., Tegsjo¨ , B. (2006) En ro¨ rlig arbetsmarknad - dynamiken bland jobb, individer och fo¨ retag [Labour market mobility – dynamics among jobs, individuals and business. In Statistics Sweden: Fokus pa˚ na¨ ringsliv och arbetsmarknad va˚ ren 2006 [Focus on economy and labour market, spring 2006]. Statistics Sweden (SCB), Stockholm.
3. Ibid.
4. Frenken, K. (2007) Entropy statistics and information theory. In: H. Hanusch and A. Pyka (eds) The Elgar Companion to Neo-Schumpeterian Economics. Cheltenham, UK: Edward Elgar, 544–555.
5. Sternberg, R., Arndt, O. (2001) The firm or the region: what determines the innovation of european firms? Economic Geography, 77(4): 364–382.
6. UNDP, Human Development Report (2009), p. 24.