Regional Employment and Innovation Dynamics in Presence of Government Support – The Case of the InnoRegio Program in Germany

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The paper examines the impact of government support on the regional dynamics of employment, R&D employment and innovation. To this end, regional, industry-specific development of employment and innovation are modelled by a time-series approach. Then, the impact of a specific governmental program, the InnoRegio program, on the regular dynamics are examined. This program has been a new tool of innovation policy with the aim to improve innovativeness in East Germany on the basis of prosperous regional networks. Besides the direct support of networks and innovation activities, the program was meant to trigger the regional development in East Germany. Hence, it provides a good example for studying whether such programs have a (lasting) impact on the regional economic development. Using regional data, especially on employment and patents, we examine whether the involved industries have developed better in supported regions than the usual development in other (East) German regions. The analysis included the years before, during and after the policy measure. We find positive effects of the InnoRegio program, which show an interesting temporal structure.