The specificity of human capital and its consequences

Dr. Frank Neffke

*Kennedy School of Government, Havard University*

Labor is an exceedingly important factor of production. However, the value of labor resides in its human capital, that is, in the experience, knowledge and skills of workers. Much of this human capital is specific to tasks that are associated with particular industries. As a consequence, modern labor markets are no homogeneous mass, but rather repositories of specialists, who have highly specific areas of expertise. This has consequences not just for individual career paths. The need to hire experts also constrains economies development and often requires substantial mobility in order for economic activities to diffuse. This talk will give an overview of a number of related papers based on large administrative data sets for Germany and Sweden that show how the specificity of human capital expresses itself in highly structured labor flows, which themselves shape the diversification paths of firms and regions.