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WHEN REGIONAL GROWTH DOES NOT BENEFIT FROM HIGH-TECH SPECIALIZATION? EXPLAINING THE EXPERIENCE OF LATVIAN REGIONS**Abstract:**

Changes in technological structure of manufacturing towards high-tech sectors do not automatically lead to improvements in labour productivity. This can be as a trap for economically less developed regions, which tend to increase a presence of high-tech sectors in manufacturing structure, but as a result are not able to reach desirable improvements in economic growth. Using structural change and specialization indices and shift-share analysis technique, this paper analyses effect of structural changes in manufacturing sector on economic growth in Latvian regions. Empirical research findings highlight that those Latvian regions, which make a choice to have a technologically more developed manufacturing structure and pay less attention to the improvements of labour productivity turn out to be in the situation, when strengthening of specialization in high-tech sectors does not reflect in regional economic growth performance improvements. This, for example, is the case of the Latvian region with the lowest GDP per capita. The author finds out that changes of technological structure of manufacturing in favour to high-tech sectors without accompany of labour productivity growth do not provide desirable contribution in the improvements of economic growth performance and technologically less intensive sectors with higher labour productivity can contribute to the economic growth in bigger extent at this stage.

Keywords:

technological structure of manufacturing, labour productivity, structural changes, specialization, regional economic growth, Latvia

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