The Promise of Innovation

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Using Apple’s iPod as an example, new research released by a team from UC Irvine’s Merage School of Business sheds light on the debate about globalization and its impact on U.S. workers.

Results from the study, which was funded by the Sloan Foundation, indicate that innovation by U.S. companies can create high-wage jobs for U.S. professionals no matter where production facilities are located. The bottom line is U.S. innovation may create more jobs outside the U.S. but U.S. workers receive the lion’s share of the wages.

The study focused on the case of Apple’s iPod, mapping the financial value created by the iPod for Apple and its suppliers and distributors.

Singling out the iPod as an example of a recent innovation in this industry, the team estimated that design, production and distribution of the iPod and its components accounted for about 41,000 jobs worldwide in 2006.

About 14,000 of those jobs were inside the U.S. and were fairly evenly divided between high wage engineers and managers, and lower wage retail and non-professional workers. Another 27,000 jobs were created elsewhere in the world and consisted primarily of low-wage manufacturing positions.

One of the most important reasons for the presence of higher-paying jobs in the U.S. is that Apple keeps most of the R&D, marketing, top management and corporate support functions for the iPod in the U.S., creating over 5,000 professional and engineering jobs for U.S. workers.

Although some U.S. firms may employ more engineers overseas than Apple does, this relative concentration of high-paying jobs at headquarters is not unusual, according to the study’s authors.

The research paper is available here.