

## **An analysis of the relationship between Acemoglu's theory of technological polarization, activation policies, and the skills mismatch to reduce the social exclusion of the workforce.**

*Massimo De Minicis (INAPP)*

Reflecting the complex dynamics of modern economies, the relationship between Acemoglu's theory of polarisation, activation policies and the phenomenon of labour market mismatch is multi-faceted and complex. Acemoglu's theoretical framework provides valuable insights into the challenges posed by polarisation and the role of policy interventions in addressing them, in particular his insights on technological change and labour market polarisation. Here's an analysis of how they relate: Acemoglu's theory posits that technological progress can lead to labour market polarisation, in which job opportunities become increasingly concentrated in high-skill, high-wage occupations and low-skill, low-wage occupations, while mid-skill jobs decline. This polarisation is driven by the complementarities between technology and high-skilled workers, which increase the demand for their services while substituting tasks performed by low-skilled workers. Activation policies aim to facilitate the transition of individuals from unemployment to employment by providing them with the necessary skills, resources and incentives. These policies include training programmes, job search assistance and work incentives to improve employability and labour market participation. Activation policies are particularly relevant in the context of Acemoglu's theory of polarisation because they can help mitigate the adverse effects of technological change on displaced workers by providing them with the skills needed to access high-skill, high-wage jobs. Mismatch refers to the discrepancy between the skills, qualifications or attributes of job seekers and the requirements of available jobs in the labour market. In the context of technological polarisation, mismatch can exacerbate the challenges faced by workers, who may lack the skills required for high-skilled jobs while being overqualified for low-skilled jobs. The interrelation between Acemoglu's theory of polarization, activation policies, and the phenomenon of mismatch lies in their potential to shape labor market outcomes and address structural challenges. Activation policies, informed by Acemoglu's insights, can be tailored to target skill development and retraining programs aimed at upskilling workers and reducing skill mismatches. Moreover, activation policies can help mitigate the adverse effects of polarization by promoting job creation in emerging sectors and facilitating transitions to new occupations. The aim of the paper is to study the interplay between polarization, activation policies, and mismatch like crucial dynamic for policymakers seeking to design effective interventions that promote inclusive growth and address labor market disparities. Policy responses should focus on

enhancing the adaptability and responsiveness of activation policies to technological change, addressing skill mismatches through targeted training and education initiatives, and fostering labor market resilience in the face of polarization dynamics. Indeed, the relationship between Acemoglu's theory of polarization, activation policies, and the phenomenon of mismatch underscores the importance of policy interventions in addressing structural challenges and promoting equitable labor market outcomes and reduce the social exclusion of the workforce in an era of rapid digital algorithmic changes.