

Interaction for innovation – Towards a cohesive policy on knowledge and innovation in the Netherlands

In the past few years, analysts have made it clear that the Dutch economy has a productivity problem. Labour productivity growth in the Netherlands is lagging behind that in other wealthy countries, posing a threat to future prosperity. Satisfactory growth in output, in turn, is closely tied to a well-developed capacity for innovation.

New policy direction merits support

It is against this background that the Social and Economic Council, in its advisory report *Interactie voor innovatie* [Interaction for Innovation], has welcomed moves by the second Balkenende government (which took office in mid-2003) to place knowledge and innovation at the top of the political agenda. In its policy memorandum on innovation, *In actie voor innovatie* [Taking Action for Innovation], the Cabinet sets the target of making the Netherlands one of the most dynamic and competitive knowledge-based economies in the world by 2010, with greater social cohesion and respect for the environment. This ambition is in line with earlier European Union agreements (Lisbon strategy, March 2000). According to the Social and Economic Council, such a target can only be met if both the government and the business community are prepared to invest in measures and activities that will strengthen the Netherlands' innovation network. The Council believes that the Cabinet's policy memorandum points the country in the right direction: not only will more money be made available for innovation, but the Cabinet recognises that government policy has been too fragmented up to now, that institutional barriers must be removed, and that a change in culture is required towards encouraging and rewarding excellence. The memorandum also demonstrates that the Dutch innovation network has weaknesses that need to be tackled as well as strengths (see table below).

Table – Strengths and weaknesses of the Dutch innovation network

Strengths	Weaknesses
<ul style="list-style-type: none"> • Excellence in scientific research • Patent performance satisfactory • Businesses co-finance a relatively large proportion of publicly funded applied research • Access to ICT and high levels of ICT use • Large number of knowledge workers in general 	<ul style="list-style-type: none"> • R&D intensity in companies lags behind • Growing shortage of knowledge workers in particular categories (scientists, technicians and researchers) • Businesses not sufficiently innovative • Research results inadequately used • Poor interaction between knowledge infrastructure and business community • Innovation not adequately financed

General reservations

The Social and Economic Council has a number of reservations about the Cabinet's policy memorandum.

To begin, the Council agrees that sustainability should become an underlying theme in the government's innovation policy. It is therefore regrettable that the memorandum does not place more emphasis on the relationship between its stated target of economic upgrading and the social and ecological dimensions of sustainability.

Secondly, the Council regrets that the memorandum was issued by the Minister of Economic Affairs alone and not by an inter-ministerial innovation team. The Council would like to see an annual publication reporting on progress made in developing and implementing a national knowledge and innovation policy.

Thirdly, the Council believes that greater effort is required to achieve more effective interaction between research and development on the one hand and practical applications and spin-offs on the other. The Council makes a number of recommendations for improving the way the national innovation network operates.

Finally, the Council would like to see the government itself take on the role of inspirational innovator. A knowledge-driven society must have an innovative government. Through the right policy initiatives, collective procurement and investment, public institutions can break through impasses and stimulate innovation, turning government into a “launching customer”. The Council believes that the Cabinet must make innovation in government a priority in its innovation policy. The ministries should furthermore coordinate their research programmes more effectively and combine their efforts to tackle social issues.

Specific recommendations for the parties involved

At various points the Cabinet’s memorandum rightly emphasises the need for a change in culture; the climate for business and innovation in the Netherlands is not ambitious enough for the country to achieve the goal of becoming a leading knowledge-based economy. According to the Council, the first step is to realise that enterprise is a prerequisite for growth in prosperity. Allied to this realisation is the notion that business involves risk, that it must reap its own rewards, and that failure (i.e. bankruptcy) need not be an unmitigated disaster. Innovation will only take off with the right entrepreneurial spirit.

To lay the groundwork for a change in culture and increase incentives for innovation, the Council makes a large number of recommendations in its report which are intended for government, companies, universities and other institutes of higher education, and interest groups and representative organisations (business associations, trade representative associations and trade unions). In doing so, the Council describes how it views the responsibilities of the various parties involved and how they can make a positive contribution to boosting innovative capacity in the Netherlands. At the same time, it reveals how such parties should respond to the government's call to join forces in taking action.