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and Investment**

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Innovation

‘successful exploitation of new and existing ideas’

(Regional Innovation Strategy 2008-11 DETI)



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Types of innovation

- **Product innovation** – new products (for example new instrumentation in hospitals).
- **Service innovation** – new ways in which services are provided to users (for example on-line tax forms).
- **Process innovation** – new ways in which organisational processes are designed (for example administrative reorganisation into front- and back-office processes; process mapping leading to new approaches).
- **Position innovation** – new contexts or users (for example the Connexions service for young people).
- **Strategic innovation** – new goals or purposes of the organisation (for example community policing; foundation hospitals).
- **Governance innovation** – new forms of citizen engagement, and democratic institutions (for example area forums; devolved government).
- **Rhetorical innovation** – new language and new concepts (for example the concept of congestion charging for London, or a carbon tax).

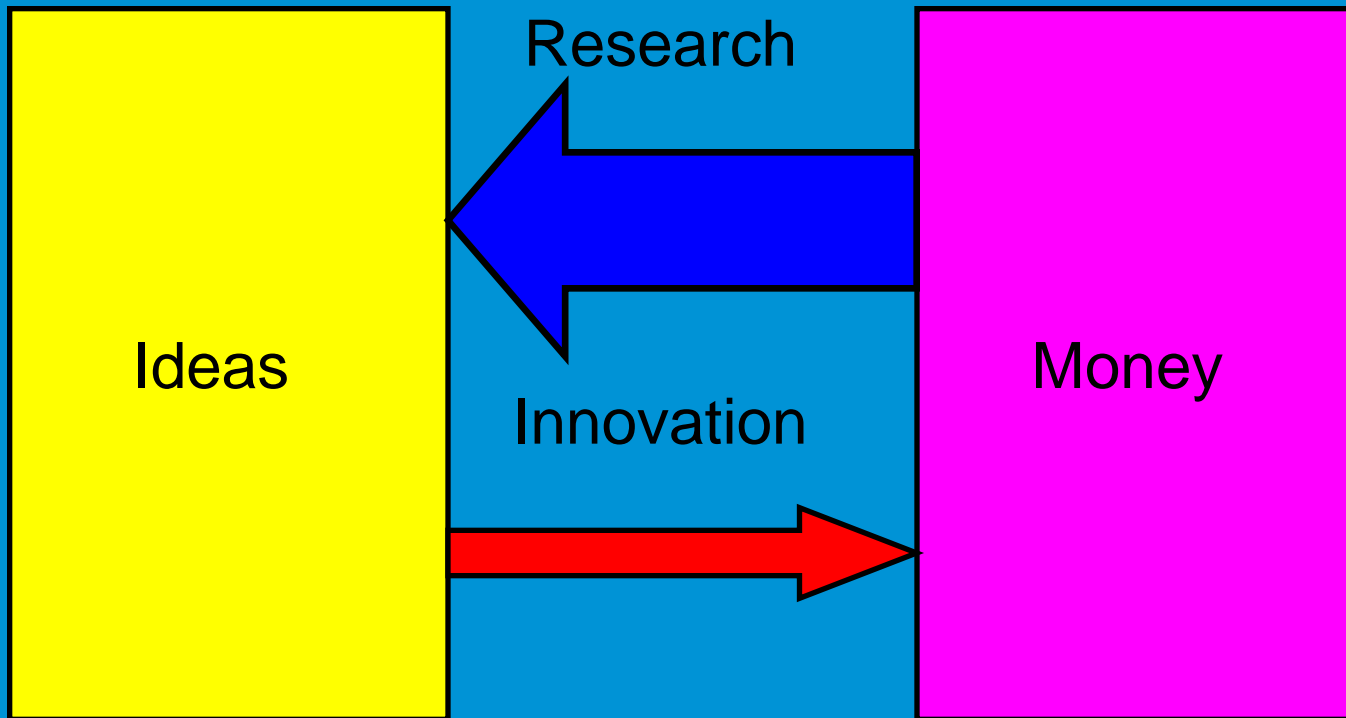
(Hartley 2005 Innovation in Governance and Public Services: Past and Present Public Money & Management January)



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Approach to Innovation



Context



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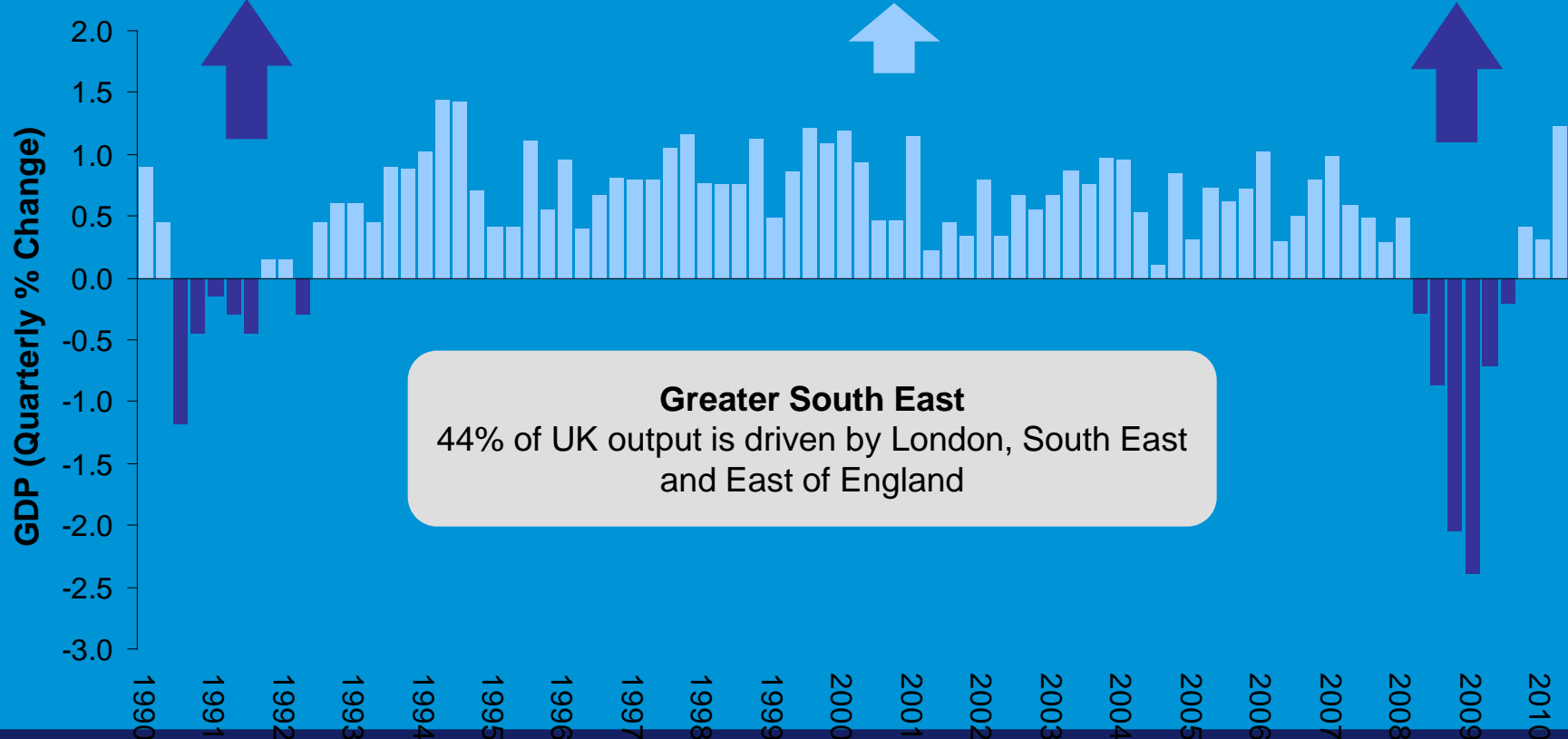
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The UK economy has emerged from its longest recession since records began...

Recession
Last recession almost 20 years ago

Growth
Unbroken economic growth for 63 quarters

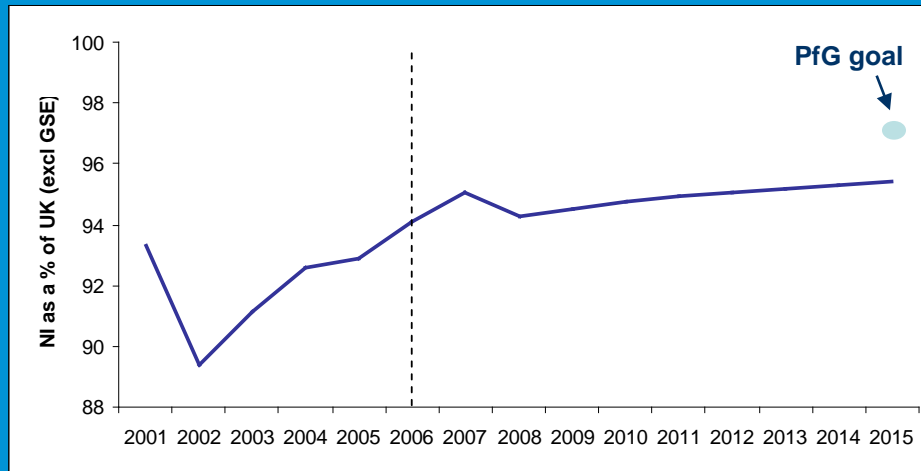
Recession
UK economy contracted for six quarters



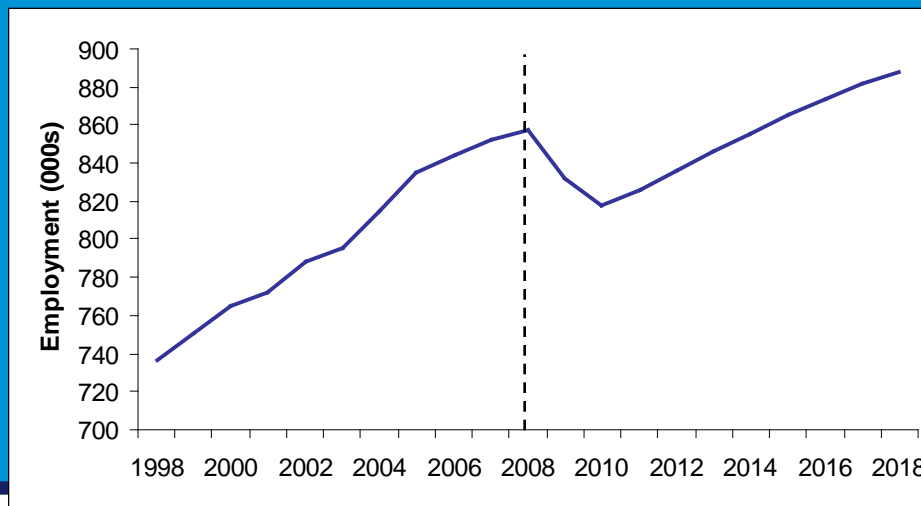
Greater South East
44% of UK output is driven by London, South East and East of England

Economic Context

Productivity



Employment



- Productivity only forecast to moderately improve
- Not expected to meet the PfG goal without a change in policy
- Record employment growth in recent years ... but little impact on living standards
- Expected to return to pre-downturn level in 2014
- IREP therefore endorses the long term focus on improving productivity

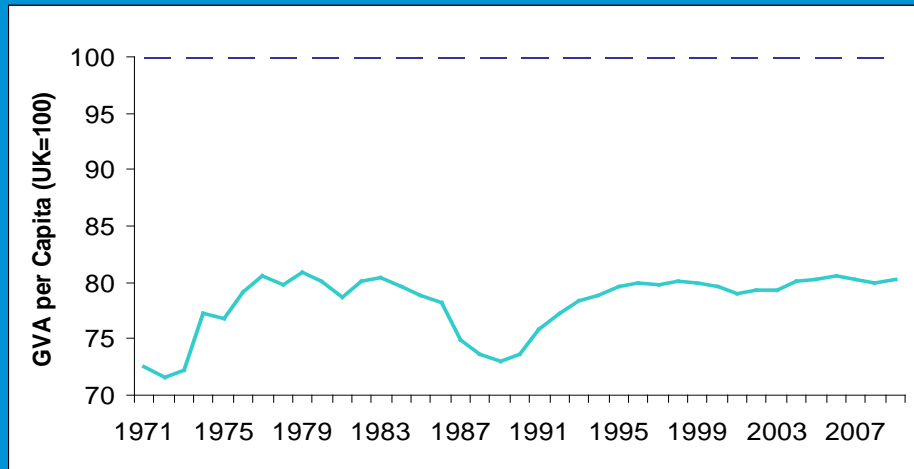


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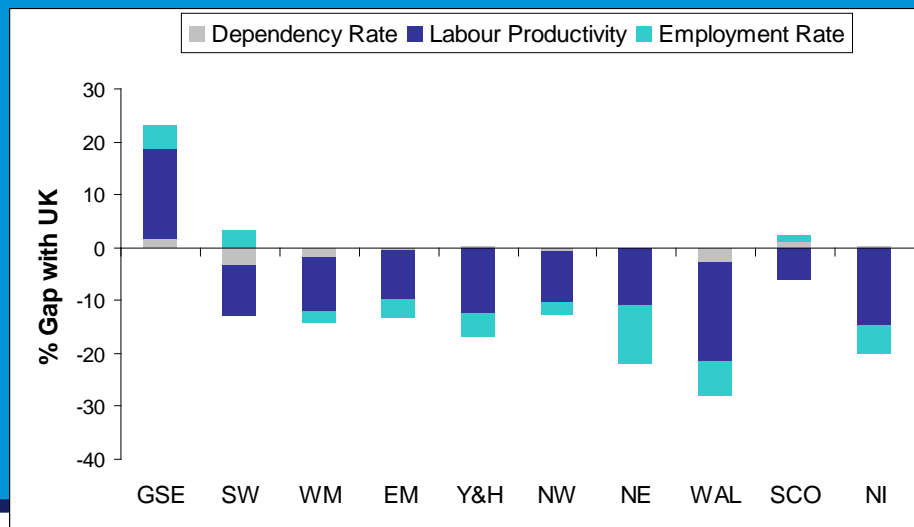
Economic Context

Living Standards



- Living standards remain around 80% of the UK level
- NI is lowest of all the UK regions except Wales and the North East

Causes of the gap



- $\frac{3}{4}$ of gap due to relatively low labour productivity (2008)
- $\frac{1}{4}$ of gap due to a relatively low employment rate



Economic prosperity is determined by jobs and wealth creation

MAIN REASONS FOR LOWER PROSPERITY



JOBS
Not enough people in employment and too many economically inactive



WEALTH
Not enough high value added employment in the private sector

NI Innovation Levels

- 55% of NI Businesses Innovation Active – 58% in UK
- 12% down **on** 04-06
- Large organisations more likely to engage in innovation than SMEs – 64% to 55%
- Gap narrower in UK- 61% to 58%

Innovation Survey 2009



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Barriers to Innovation

- Cost
 - Cost and Availability of finance
- Knowledge
 - Lack of qualified people
 - Lack of info
- Other
 - Regulation

Innovation Survey 2009



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Need for change (IREP)

- Tightening public expenditure environment
- Changing State Aid rules:
 - **Regional Aid** limits reducing in January 2011 so less scope to provide SFA support to companies going forward.
 - **R&D&I Aid** limits maintained at much higher levels so greater assistance can be directed at this.
- Limited impact of Invest NI support on productivity
 - **Pattern of support** is directed at expansions in existing companies and safeguarding rather than attracting new FDI.
 - **High job creation** from FDI projects but tended to have been in lower value sectors with low wages so limited impact on productivity



Current position



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Key Policy Documents

- Regional Innovation Strategy 2008-11
 - £360m planned Expenditure
 - £90m Innovation Fund
- Programme for Government 2008-11
 - PSA1 and 3 Productivity and employment
- Matrix Report 2008
 - Greater collaboration/Export focused
 - STEM / Skills



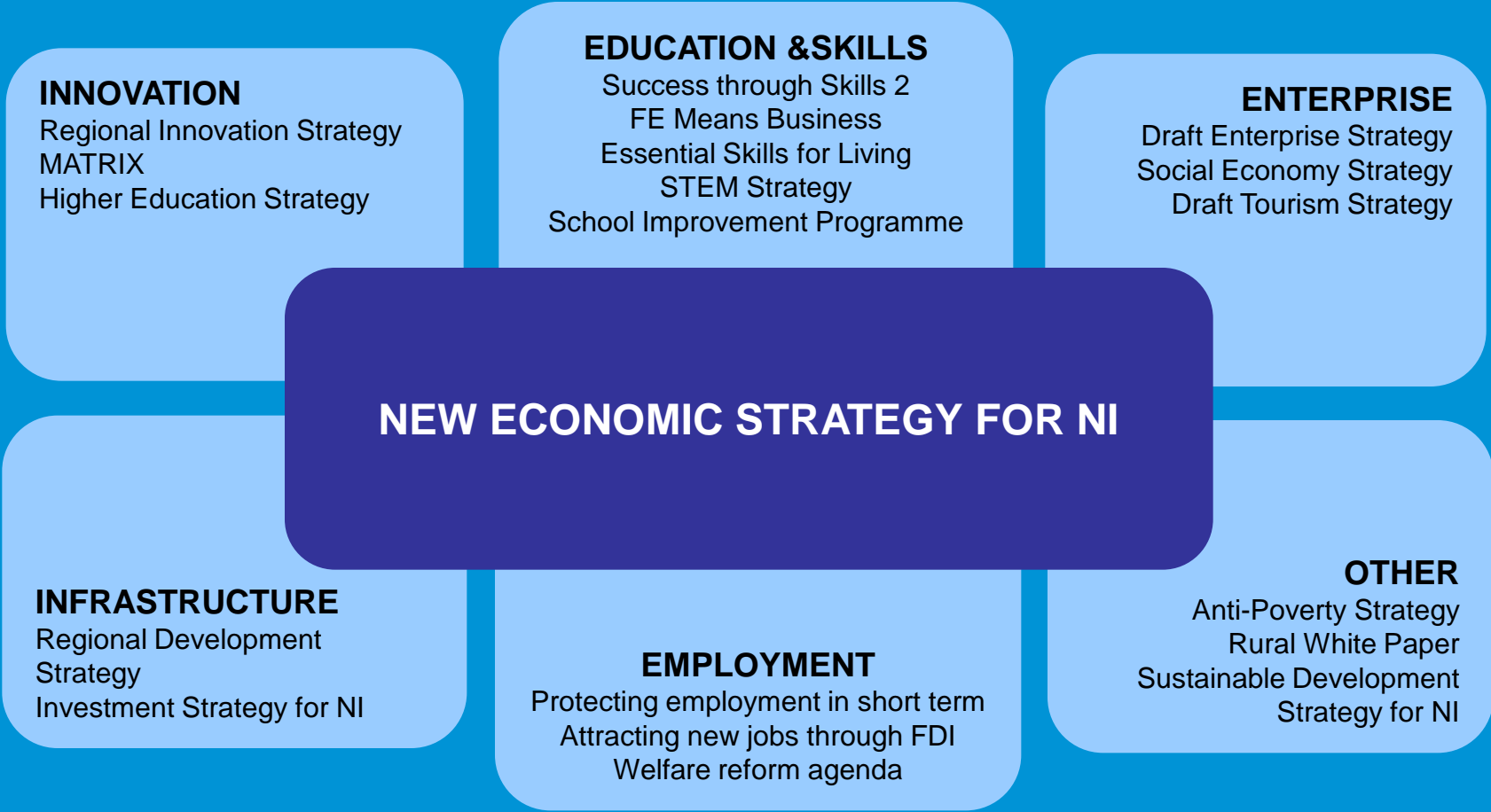
THE WAY FORWARD



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Economic Strategy will build on existing strategies and develop a new approach to growing the economy...



Executive Sub-Committee on the Economy



Innovation Element of new Economic Strategy

- Role of Government
- Role of Education
- Role of private sector



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New Policies?

- Greater collaboration
 - Cross sectoral
 - Cross region
- Greater support for SME's
 - Fiscal changes?
 - Access to capital
- 'Europe 2020'
 - Innovation Union
 - Digital Agenda
- Global opportunities (Matrix Foresight)
 - Public funded R&D



Future Global Market opportunities for NI

- Energy - Clean and green
- Health and well being
- ICT
- Security



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- QUESTIONS



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