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## **EUROCADRES CONFERENCE INNOVATIVE EUROPE TO OVERCOME THE CRISIS**

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### **Introduction and question 1**

The concept of innovation seems to expand into covering broader and broader contexts. The more we try to define it, the more fugitive it appears. It might even have become something of a buzzword to renew the sound of what we have already been talking about since long.

However, the broadened definition and use of the concept also reflect the understanding that a successful innovation system depends on a wide range of factors, including a world-class school system that fosters creative and entrepreneurial minds, universities that manage to both produce the sharpest brains as well as attract them from across the world and competitive R&D environments. These are all indispensable inputs.

But let me start at the other end: the output that we expect from this process in terms of new products, techniques, services etc. Unfortunately, we still have a long way to go in improving the innovation output. Just around 16% of world patents are registered by the EU compared with 35% by the US or 18% by Japan. The explanation should not only be sought in the higher costs for filing patents in Europe. More importantly, the overall conditions for commercialising research results are not as strong here as in other parts of the world.

Treating the symptoms of the problems is obviously important. Even more important is to also address the causes. What is really needed is to improve the investment-climate in Europe overall, including the attractiveness to investors from all across the world. Another weakness built into the European innovation system is that it is not European. By contrast, it is still a scattered system, in particular when it comes to venture-capital markets. In addition, the cross-national collaborations between different research environments of both private and public sector are still under-exploited.

This is truly worrisome but not the end of the story. Another important factor: we tend to ignore the production side of innovation. While trying very hard to try to invent a miracle cure for boosting our innovative capacity, ensuring the right conditions for production is crucial for overcoming the crisis and to grasp the growth opportunities that lie ahead.



Talking about the production side of innovation, means talking about workers, their skills, motivation and the kind of labour market policies and social security systems that have to be put in place. Structural reforms are required to increase flexibility on Europe's labour markets so as to allow companies to innovate, grow, remain competitive and seize new market opportunities.

The background notes for this round table discussion mention that "any case of innovation which would imply job losses needs compensation and support for the affected persons". This is obvious. In that sense, it does not make a lot of difference what the source of the job losses is, i.e. whether they stem from innovation, wider technological developments, globalisation etc.: Workers need new forms of security that promote mobility and enable them to cope with change. It is important that active labour market policies and social protection systems support a quick re-entry for the unemployed in the labour market. In addition to making the receipt of unemployment benefits conditional upon participation in activation programmes, a suitable balance must be struck to ensure that benefits do provide income security during transitions on the labour market while not discouraging work.

## **Question 2**

In order to have a successful innovation system, some basic conditions must be met. Firstly, an investment-friendly regulatory framework that encourages the private sector to invest in R&D and improves access to finance is a necessity. The funding gap experienced by start-up firms (for instance spin-offs from university research) too often makes innovative and promising business operations reach a deadlock.

Secondly, an important factor in allocation decisions of multinational companies that is often under-estimated is the access to talented workers with the right set of skills. We need a work force with skills that are relevant to current and emerging demands of the labour markets and which has an absorbance capacity for the results of research and development. Without employees who can turn knowledge into concrete improvements or find new solutions to real world problems, much of these results would be stuck on the shelf.

Thirdly, we need modern and flexible labour markets that enable companies to hire personnel with key competencies and workers to move between different jobs, in the public and private sectors.

Social dialogue obviously plays a vital part in developing our human capital, so that ultimately workers role in this process could become even stronger and labour productivity increased. We fully recognise that social innovation as well as the role of workers in *technological* innovation is becoming increasingly important. Social dialogue can also be an important factor in the modernisation of our labour markets and as an instrument to find working arrangements that suit both the economic needs of companies and the social needs of workers.



However, trying to fit all aspects of how to improve the functioning of the complex innovation system into the framework of social dialogue does not make sense. To take an example, attracting private venture capital for early stages of business activities is fundamental for such systems to be successful. But is it a challenge that social dialogue could sufficiently cover? No, it's simply not the right forum.

### **Question 3**

Professional and managerial staff is a growing group in the workforce. The number of managers is growing faster than the total workforce due to, amongst others, the increased importance of the services sector or the growing demand for high skills in the knowledge economy. Looking ahead, the projected increased demand for technicians and associated professions over the period 2010-2020 stands at 18%. This group has the highest expansion demand of all occupational categories. If we keep ignoring these facts, Europe not only risks outsourcing of its private R&D. It also misses out the important employee-driven innovation taking place at work-places and the economic growth that this contributes to.

The evolution towards more knowledge intensive jobs reinforces the importance of training and employability for all workers, including professional and managerial staff. The crisis has reminded us that there is no longer "a job for life" and that some of the jobs that were destroyed will not come back. We therefore need to equip people to achieve employment security by facilitating adaptability and transitions between jobs. The capacity of managers to lead and steer such processes of change and maintain high quality employee relations will become ever more important. Training is indispensable in this respect.

A recent survey by CBI, BUSINESSEUROPE's member federation, shows that CEOs are broadly speaking satisfied with the effectiveness and skills of senior managers. However, there are concerns around team leaders' and supervisors' skills levels with one in seven (15%) describing these as unsatisfactory. Investing in leadership and training of management therefore is a priority. Almost all (98%) firms are investing in leaders and managers through in-house training, with two thirds (65%) of firms providing external training such as MBAs for their senior management and two thirds (65%) of employers training supervisors/team leaders on-the-job.

### **Conclusion**

An important part of my intervention was about some of the main elements of what constitutes a good business climate. This is not a coincidence. At the end of the day, policies that stimulate innovation are mostly about creating the right possibilities for companies and their employees to be able turn business plans and ideas into practice.



We should keep in mind that the innovation process is not linear. It depends on the exchange of knowledge and the mobility of people between different environments. Therefore, an increased awareness of how all the different components touched upon here are interconnected and the importance of a good business climate for the production side of innovation should be welcomed. Social dialogue certainly plays an important role in this respect but there is more to it.

With this, I have outlined some layers of the concept of innovation and what is needed in order to ensure that Europe becomes an innovative knowledge economy in the post-crisis era. Today's conference is a good opportunity to assess what some of these developments mean for the individuals concerned, their representatives as well as for their employers. I am therefore grateful for having invited me and wish you a successful event.

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