



EMF position paper on innovation policy

Creating a climate of innovation as a tool for economic and social progress

Approved by the 101st EMF Executive Committee

Luxembourg, 22nd & 23rd November 2005

Executive summary

With the Barcelona objective of investing 3% of GNP into R&D, the re-launch of the Lisbon Strategy and the re-invention of industrial policy at the European level, Europe has set itself ambitious objectives for growth and jobs.

With the launch of an ambitious research action programme (creation of technology poles and technology platforms, the setting up of a European Institute of Technology ,etc.) and the launch of a new framework programme on Competitiveness and Innovation, RDI (research, development and innovation) have become one of the most important tools for industrial policy.

Indeed, as Europe is not able to compete on the basis of natural resources, and does not intend to compete on the basis of cheap labour or at the expense of the environment, Europe must respond by investing in knowledge in order to raise productivity, create new jobs, new products and services of high added value. Innovation is probably the only way for Europe to foster economic growth and maintain its industrial activities while at the same time ensuring the promotion of social progress and environmental sustainability.

Trade unions used to have a rather reactive approach to the introduction of new technologies as they were mainly dealing with their social consequences only. In order to guarantee the future of industry in Europe, the EMF is aiming at a more pro-active approach by promoting innovation and technological progress as a tool to preserve and create jobs.

FEM 30/2005 (summary)

1. R&D: The 3% challenge

Regarding R&D, the EMF wants to stress the following objectives:

- the need to enhance the evolution of R&D from a resource-intensive to a knowledge-driven industry by adopting a more holistic view on innovation ('innovation is everywhere')
- The need to complete the 3% Barcelona-objective using more qualitative objectives which guarantee an effective use of scarce resources:
 - o Creation of a real European Research Area while respecting Europe's large cultural and regional diversity
 - o Strengthening the research capacities in less advanced regions and unleashing the full research potential in the accession countries
 - o Creating enough critical mass by setting up trans-European research initiatives (e.g. Galileo)
 - o Enhancing dialogue between society and the world of science in order to integrate the knowledge-economy into the European social model
 - o Introduction of sector-specific research policies by means of the creation of technology platforms, innovative clusters, sectoral research centres and funds.

2. Innovation in the driving seat

Innovation is the application of existing knowledge in a new context. In this respect it must be clear that innovation is much more than technological innovation. It includes other forms of innovation like new concepts for logistics or marketing, organisational innovation, business model innovation as well as product design. In general, industrial innovation is not based on newly-created scientific knowledge. Therefore, it must be clarified that innovation and knowledge generation also takes place outside the formal R&D process.

For the EMF, awareness must be raised about innovation policies outside R&D departments. The main objectives for such policies must be:

- the development of innovative clusters
- the creation of effective systems of knowledge diffusion
- strengthening the absorption capacity of firms
- and developing non-technological aspects of innovation.

As companies are at the heart of innovation policies, they have a responsibility to create a climate of innovation. Traditional management and/or organisational styles lead to the underdeveloped use of a large potential for knowledge generation. Therefore companies must:

- create a company culture open to innovation
- modernize company and work organisation
- improve their capability to incorporate and adjust external knowledge
- take part in innovation networks
- promote shop-floor innovation
- and introduce techniques for better innovation management at company level.

For the EMF, Europe has to develop a new, broader understanding of innovation that does not equate innovative ability with excellence in R&D alone. Therefore the EMF will bring the question of innovation to the Social Dialogue table. In the meantime the EMF wants to launch actions to promote the role of workers in creating an open innovation culture in companies.

3. Good innovation governance

The fact that Europe has a strong research basis but fails to exploit this downstream when it comes to improving competitiveness, developing new products and processes and boosting productivity is mainly due to fragmentation within the European research system. To overcome this, actions have to be undertaken in the field of:

- *better policy coordination*
- *public-private partnerships*
- *an innovative public procurement policy*
- *better use of product standards and technical regulations as a key enabler for innovation*
- *support for all kinds of innovation infrastructure*
- *innovation funding (venture capital)*
- *and social innovation.*

To coordinate these actions, all innovation governance bodies have to be set up in close collaboration with the social partners.

4. Old economy can be exciting and trendy as well

We often overlook the fact that a large proportion of employment in the western world is still concentrated in traditional industries and that these sectors, despite their low R&D budgets and unfavourable cost conditions, are still able to compete in a globalised economy. This proves that over the years these industries have developed capabilities which make them profitable and competitive. It shows their ability to innovate and to adopt high-tech technologies developed elsewhere in order to stay in the market. Their local embeddedness, their close relations with suppliers and customers lead to competitive advantages that cannot be easily imitated by low-cost producers in remote countries.

Therefore the EMF wants to raise awareness about the innovation capabilities of the so-called 'old' industry in order to develop a new and broader understanding of innovation policies and to promote the view that innovation does not equate to R&D activities in high-tech sectors alone. Innovation policy must build on the interdependence between high-tech and low-tech sectors. Both are heavily intertwined as low-tech sectors make use of the knowledge generation by high-tech sectors and high-tech sectors can only survive thanks to innovation processes in low-tech parts of the economy. Policies must support traditional industries in their attempts to accumulate and permanently reproduce innovating capabilities. Most of the industrial jobs remain in the less glamorous industries and therefore innovation policies must be designed to include these sectors also.

5. Innovating change in security

As innovation leads to change, the establishment of a framework for the socially responsible management of change is needed. Workers' commitment to innovation and their support of company strategies can only be guaranteed in a climate of security and mutual trust. Therefore a pro-active approach to restructuring processes and labour market policies is very much needed.