Increasing innovative activity in the UK? Where now for Government support for innovation and technology transfer?

A new IFS Briefing Note concludes that evaluations of support schemes for innovation and technology transfer should consider the case for simplifying the mix of schemes in operation, as well as assessing the extent to which government support is reaching first-time innovators.

The DTI Five Year Programme published on 17th November re-iterated the Government’s aim to increase R&D expenditure as a proportion of national income to 2.5% by 2014. As shown in Figure 1 below, achieving this would imply a significant change from recent trends. In 2002, gross expenditure on R&D comprised 1.9% of GDP.

The DTI has also recently outlined its new structure for business support products in the area of innovation, and has committed to better evaluation of the economic effectiveness of this expenditure. Many of the DTI schemes aim to encourage collaborative activity and technology transfer between business and the higher education sector.

The IFS Briefing Note investigates the UK’s innovative performance compared to other European countries. It finds:

- Overall, R&D intensity is lower in the UK than in France and Germany. But in some sectors, notably services, R&D intensity is higher in the UK.

- *Innovative* firms in the UK are equally likely to be engaged in the type of business-university collaboration that the UK Government is trying to encourage, as innovative firms in France and Germany. The difference is that UK firms are less likely to be innovative in the first place.

The Briefing Note reviews DTI schemes aimed at stimulating innovative activity, and suggests some key questions for future policy evaluations. The UK has a wide range of policies to encourage innovative activity, and frequent changes have been made to schemes in recent years.
Rupert Harrison, an IFS Economist and one of the authors of the report, said: “Given that the new DTI schemes do not appear to have significantly reduced the scope of support in the area of innovation, future evaluations should assess the extent to which schemes overlap in achieving the same objectives, particularly in the light of the introduction of R&D tax credits. The Government should also consider the extent to which business support schemes reach first-time innovators rather than firms that are already innovating and may have used the schemes before.”

Further issues for evaluation include the extent to which policies are tailored to the needs of the service sector. Service sector R&D has grown particularly fast in the UK in recent years. But, this sector also accounts for the largest component of the UK’s productivity gap with the US.

![Figure 1: Gross expenditure on R&D in the UK as a percentage of GDP](image)

Source: OECD, Science and Technology Indicators

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Notes to editors:

1. “Increasing innovative activity in the UK? Where now for government support for innovation and technology transfer” by Laura Abramovsky, Rupert Harrison and Helen Simpson is published on Monday November 29th.

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