Innovations in Innovation Policy

Presentation to
Victorian Competition and Efficiency Commission,
9th December 2014

Professor Paul H. Jensen
University of Melbourne

FACULTY OF
BUSINESS &
ECONOMICS

THE UNIVERSITY OF
MELBOURNE

MELBOURNE INSTITUTE®
of Applied Economic and Social Research

My research

- Based at the Melbourne Institute, UniMelb
- Also affiliated with MSoG, specialising in creating/using evidence in public policy
  - Behavioural insights work
  - Effective communication of complex research
  - Big data and policy
- Focus on applied economics and policy, mainly innovation/technology policy in last decade
- Increasing interest in science/research policy
- Major report for DoI on RCTs in innovation

This talk

- Innovation lags behind other policy areas. Why?
  - Weak(er) rationale for government intervention
  - Less coherent discipline base
  - Trouble accessing firm-level data (weak evaluation)
  - Poorer data infrastructure in general
- I will look at some innovations in innovation policy
  - Experiments in innovation policy (e.g. IGL run by Nesta)
  - New firm-level data linking project (with DSDBI and ABS)
- 'Innovation' in the narrow sense (i.e. new-to-the-market not new-to-the-world)

Issues in evaluation

- This is a serious shortcoming in innovation policy
- Rigorous evaluation requires a *counterfactual,* not case studies, anecdotes, etc.
  - Quite distinct from auditing a program
- Credible experimental and observational approaches to constructing a counterfactual
- RCTs have had limited use in innovation policy, but this is changing quickly
- Limitations to usefulness of RCTs are obvious
  - But over-subscribed programs can be randomised

Innovation Growth Lab

- Nesta initiative with $$ from Kauffman Foundation
- Supports RCTs in innovation policy to ascertain 'what works (and what doesn't)'
- Has funds available for RCT projects which "…increase innovation, support high-growth entrepreneurship and accelerate business growth"
- This call for proposals is relevant to:
  - **Researchers** interested in designing and conducting RCTs on innovation, entrepreneurship and firm growth
  - **Programme delivery organisations** involved in innovation policy
- Deadline for proposals: Monday 5th Jan 2015

IGL projects

- Lots of global public/private partners, including Commonwealth Dept of Industry
- And a serious line-up of international scholars
- Examples of RCTs funded include:
  - Business-science links and technology transfer
    - Motivated by the "European Paradox", this trial will test the impact of interventions to raise awareness of research and connect it to business
    - 300 researchers will be allocated into 3 groups: passive support, active support and a control group
    - Does active support increase number and quality of outputs?
- Details available at: www.innovationgrowthlab.org

MI-DSDBI work

- In 2013, ABS agreed to enable us to evaluate DSDBI innovation program via remote access

- Two datasets:
  - BLD (9,000 firms): small numbers by rich data; and
  - BAS-BIT (all 1m entities with an ABN) plus customs data?

- Enormous amount of 'cleaning' to be done, which has been slow going (but is a fixed cost)

- Inefficient process due to remote access (and ABS are data curators not data analysts)

- Huge potential to raise quality of innovation policy

Conclusion

- Innovation scholars and policymakers have lagged a long way behind other domains

- Finally, this is changing for the better via:
  - Better data infrastructure and access
  - Stronger partnerships with govt agencies and unis
  - Smarter use of conventional evaluation tools

- This should promote more efficient allocation of innovation policy resources

- And it should make life easier for innovation policy makers in their discussions with Treasury