Australia needs to do more to compete in global innovation stakes

Some areas of Australia’s innovation system are underperforming and require urgent attention if Australia is to avoid being left behind international competitors.

Australia has a strong research base, underpinned by world leading organisations such as the CSIRO and supported by strong national research infrastructure. We are ranked highly on scientific publications. The majority of our research workforce is employed in the higher education sector.

Despite our strong publications record, Australia performs poorly in translating research results into innovative products and services. Investment by our businesses in research and development is low by international standards, falling below the OECD average as a percentage of GDP.

The 2014 World Economic Forum’s Global Competitiveness Index* ranked Australia 21st, the first time we have failed to make the top 20. Even more concerning, Australia is ranked 26th on the Innovation and Sophistication sub-index.

One of the major factors dragging Australia down is our level of business expenditure on research and development, in which we rank 30th. Structural issues such as a small market size and distance from our neighbours are partly responsible. Lack of availability of venture capital finance can also be a barrier to businesses and entrepreneurs taking innovative ideas from the research phase to the market.

Governments can play an important role in helping businesses overcome structural market failures – particularly in the tax treatment of investments into start-up companies and employee share options.

Australia also lags in business collaboration. Collaboration between businesses and researchers, domestically and internationally, is essential to capitalise on our research strengths.

Australia cannot afford to be complacent in the global innovation stakes. Countries in our region are outpacing us in the growth of their investment in research and innovation. Action is urgently needed if we are to use innovation to maintain our standard of living.

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On 3 June 2014 ACOLA released The role of science, research and technology in lifting Australian productivity. This bulletin is designed to continue the discussion around the role that science, research and technology plays in the Australian economy and in lifting productivity.

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