

Innovation in the Public Sector – Experiences from Sweden



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The weight of the public sector in Swedish economy

The public sector plays a key economic role as regulator, service provider and employer. It accounts for more than 30 % of total employment and about 20 % of GDP. Additionally, an efficient and productive public sector can be a strong driver of economic growth through its support of innovation in the private sector as well as a procurer of innovative goods and services.

Why innovation in the public sector

Healthcare, school and other welfare services, as well as systems for energy and communications are examples of public services that are publicly financed. Most European countries, Sweden included, are facing major demographic challenges to adapt to an ageing society. By the year 2030 it is estimated that more than one in five citizens will be over 65. In order to adapt to these conditions, innovations are needed to deliver public services with increased quality and efficiency. The Swedish government believes that innovation in the public sector can lower costs and increase efficiency and quality, with better use of existing resources.

Towards evidence based policy recommendations

The weight of the public sector in the Swedish economy is substantial. A distorted view of innovation can arise, if innovation in the public sector is not properly accounted for in the empirical evidence presented to policy makers.

Currently the Swedish Agency for Growth Policy Analysis is looking at a few problematic areas:

- Innovation in the public sector is not articulated and recognized in, for example, the Oslo or Frascati manuals and therefore underutilised as a driver of innovation
- A lack of policy instruments to support demand-side innovation may lead to a policy mix biased towards supply-side policies

The Oslo Manual defines an innovation as “the implementation of a new or significantly improved product (goods or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations.” This definition reflects innovation in the private sector, but it does not reflect innovation in the public sector.

Sweden follows the definition put forward by the European Public Sector Innovation Scoreboard (EPSIS) which adapts the Oslo manual definition to better fit innovation in the public sector. The definition describes innovation as “a new or significantly improved service, communication method, process or organisational method.”

Putting innovation in the public sector on the policy agenda

The Swedish government is increasingly acknowledging the importance of public sector innovation. In the report “The Swedish Innovation Climate” the agency for Growth Policy Analysis suggests quantitative indicators to monitor the implementation of the newly launched Swedish Innovation Strategy. This is an attempt to systemize existing indicators and “take the temperature” on the Swedish innovation climate in order to find drivers and barriers to innovation in the Swedish innovation system.

One of the six focus areas in the strategy is Innovative Public Services and although the development of data on public sector innovation is in its infancy, the data that does exist has been evaluated and analysed.

The set of indicators used to monitor the implementation of policies to support Innovative public services present the following evidence:

- Surprisingly, a higher degree of public sector organisations respond that they conduct innovative activity compared to firms in the private sector (78 percent for public sector organisations and 60 percent for private firms)
- Today 36 percent of all public procurement contracts are awarded on lowest price alone
- Existing policy initiatives prioritise digital infrastructure thus paying less attention to declining productivity and decreasing user-friendliness in existing e-services
- Swedish agencies rank e-services as the most important area for quality improvement in terms of content and user-friendliness

Mapping the policy instrument mix

In recent years, the concept of an innovation policy mix has become an increasingly popular way of thinking about the balance and coherence of the strategic tasks for policy and the range of policy instruments deployed. In a forthcoming report the Swedish Agency for Growth Policy Analysis further elaborates the concept and explores its utility for learning in the Swedish innovation system. The analytical framework outlined in the forthcoming report will be an important component in monitoring of the implementation of the Swedish Innovation Strategy.

The aim of the Swedish innovation strategy is to develop an optimal mix of policies and instruments for stimulating innovation performance that takes into account possible positive and negative interactions among instruments and ensuring more balanced support for the range of challenges faced by the Swedish innovation system. In practice, continuous learning is necessary to tackle the uncertainties faced.

At the level of policy measures, the key issues revolve around whether the policy instrument mix is appropriate. For example, are there too many or too few instruments, and is the scale appropriate? Is the right type of instrument used to address the particular problem to be solved and does it build on good practice? Are there synergies between and among individual instruments?

The mapping of the policy instrument mix shows a bias towards supply-side measures while neglecting demand-side measures. The efforts to remedy this situation are currently progressing at a slow pace.

An English summary of the report could be found at the following link:

<http://www.tillvaxtanalys.se/en/home/publications/working-paper-pm/working-paper-pm/2013-09-27-swedens-innovation-climate---indicators-for-the-national-innovation-strategy-2013.html>