

BACKGROUND PAPER

# PRO-PRODUCTIVITY INSTITUTIONS: LEARNING FROM NATIONAL EXPERIENCE

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## ABSTRACT

*The paper analyses and compares ten institutions that have a mandate to promote productivity-enhancing reforms. The selected institutions include government advisory councils, standing inquiry bodies, and ad hoc, temporary task forces. We find that well-designed pro-productivity institutions can generally improve the quality of the policy process and political debate, and can make a significant contribution to evidence-based policymaking. Our findings also support the view that concentrating knowledge and research on productivity in one independent, highly skilled and reputed body can help create the momentum and the body of knowledge that are required to embrace the challenging task of promoting long-term productivity growth. We also find evidence that while institutions located outside government have more leeway in promoting reforms that challenge vested interests and produce results over a time span that goes beyond the electoral cycle, the existence of smart government bodies can allow experimental policymaking and a more adaptive, evidence-based policy process. We also find that it is of utmost importance to provide these bodies with sufficient resources, skills, transparency and procedural accountability to fulfil their tasks; a sufficiently broad mission, oriented towards long-term well-being and at both supply-side and demand-side considerations; policy evaluation functions; and the ability to reach out to the general public in a variety of ways, from consultation to advocacy, use of social media, and other forms of communication.*

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# PRO-PRODUCTIVITY INSTITUTIONS: SELECTED NATIONAL EXPERIENCES

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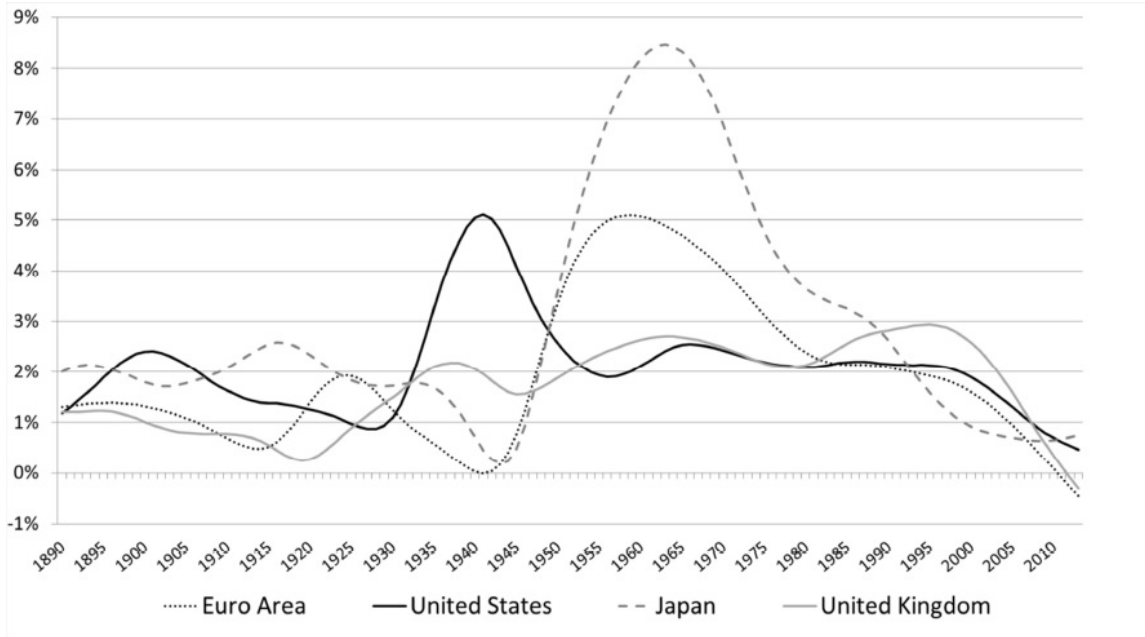
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## 1 INTRODUCTION

Over the past two decades, promoting productivity growth has risen as one of the key challenges for policymakers around the world. Despite being widely acknowledged as an intermediate, rather than final, goal of economic policy, productivity is considered as a key driver of long-run economic prosperity. As Paul Krugman (1994) famously observed, “productivity isn’t everything, but in the long run it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.” Against this background, economic data since the mid-1990s, and particularly since the Great Recession, show a slowdown in productivity growth that reflects a mix of cyclical and structural factors, which prevent rapid technological change from propelling aggregate productivity growth as it has done in the past<sup>1</sup>. Factors vary across countries, and include weak investment in physical capital, sluggish recovery in non-residential investment, and demand-side deficiencies. At the same time, OECD data show a growing dispersion of productivity performance within countries between firms and regions, which suggests that there is no real innovation deficit, but rather a diffusion deficit in many countries (OECD, 2016; Ashford and Renda, 2016). Data presented in a joint event organized by *France Stratégie* and the U.S. Council of Economic Advisers showed a downward trend in productivity in all advanced economies over the second half of the 20th century (see Figure 1 below). And apart from some Scandinavian countries such as Sweden and Finland, no comparable positive effects of ICT on productivity were observed in any of the other countries<sup>2</sup>.

Figure 1 – Productivity waves and recent slowdown, 1890-2010



Source: Banque de France (2014)

The debate about the slowdown in productivity growth is of sufficient concern to policymakers that OECD decided to create a Global Forum on Productivity in 2015. In many countries, the reflection on “secular stagnation” (Hansen, 1939; Summers, 2014; Gordon, 2015) has led to the growing recognition that important, structural changes in domestic and international economic policy are needed to reverse the trend or at least contain the current decline (Ashford and Renda, 2016). As noted by Banks (2015), very often the productivity challenge can be successfully tackled only by securing more intense market competition, entry of dynamic new market players, and disruptive innovation, which very often clashes with the interests of incumbent players, which can exert a very powerful influence on policy choices (OECD, 2015a). At the same time, some of the current trends (*e.g.*, in ICT, such as the Internet of Things, Artificial Intelligence, Smart Manufacturing) are posing new challenges for labour and total factor productivity, to the extent that many commentators are still trying to find an agreement on whether the current slowdown is at least partly generated by measurement problems (Dervis and Kureshi, 2016; Byrne, 2016).

At the same time, there has been growing recognition that promoting pro-productivity policies can be a particularly daunting task. Such task is further complicated by the fact that when it comes to productivity, there is neither a silver-bullet solution, nor a standard set of reforms that can be implemented in the same way in every country: on the contrary, the path towards enhanced productivity varies according to the peculiarity of the national economy. Other important factors that further challenge policy makers include the partly demand-driven nature of the productivity slowdown, which makes traditional supply-side recipes likely to be ineffective; and the need to guarantee an institutional setting that is conducive to the promotion and implementation of pro-productivity reforms. In this

respect, a plethora of institutions can be put to work with a view to triggering a more intense and meaningful debate on which productivity policies are most suited for a given country.

This debate is the focus of this paper. As elaborated by Gary Banks (2015), there are a multitude of institutions directly or indirectly affecting productivity: some of these institutions can be directly appointed by governments or parliaments after adopting *ad hoc* legislation (*e.g.*, competition authorities, foreign trade tribunals, auditing bodies, public think tanks; regulatory oversight bodies, central bank research units, departmental bureaus, and standing bodies that advise governments in various forms); others, like privately funded research centres and think tanks, are stimulated by the practice of open government (*e.g.*, the use of public stakeholder consultation on proposed legislation, or on retrospective reviews of legislation, see OECD Regulatory Policy Outlook 2015b). These institutions appear to flourish more easily and effectively whenever countries adopt good governance practices, and in particular develop a culture of evidence-based policy, coupled with arrangements aimed at boosting the transparency and accountability of government.

In this context, this paper collects national experiences on the role and performance of ten selected pro-productivity institutions, as well as on the contribution that such institutions can make to building consensus, convincing stakeholders, confronting vested interests, establishing credibility and educating leaders. The paper presents ten case studies related to the productivity commissions of Australia, Chile, Denmark, Mexico, Norway, and New Zealand; the Irish Competitiveness Council; *France Stratégie*; the U.S. Council of Economic Advisers; and the European Political Strategy Centre in the European Commission. As the reader will realize, these institutions differ in many respects, including their overall size (*e.g.*, staff), date of creation, institutional location, mandate and mission, tasks and deliverables, and budget: in this respect, it is not the goal of this paper to draw comparative judgments. Rather, the paper collects examples of successes and challenges that have been experienced by the ten surveyed institutions; and it does so by collecting both the opinion of high-level representatives of those institutions, and also external opinions by prominent decision-makers or commentators. For this reason, the drafting of this paper benefited from ten in-depth interviews carried out with staff members of the selected institutions between June and August 2016; as well as by a number of interviews with external experts selected in agreement with the OECD, and carried out between August and November 2016.

## **2 THE TEN SURVEYED INSTITUTIONS**

Based on their names, our ten selected institutions include six productivity commissions, one competitiveness council, and three advisory councils located at the centre of government<sup>3</sup>. However, the boundaries between these institutions are more blurred than it might seem, and the similarities within categories are also not always obvious, as explained below.

- *The six Productivity Commissions* include institutions established in Australia, Chile, Denmark, Mexico, New Zealand and Norway. Within this group, two major sub-groups can be identified.
  - *Four institutions (Australia, Chile, Mexico, New Zealand) feature a design that can be said to have been significantly inspired by the Australian experience*, already extensively described in Banks (2015). However, the Australian Productivity Commission features a size and degree of independence and institutionalisation that has no equivalent in other countries<sup>4</sup>. In particular, in Mexico and Chile the institutions appear to rely on highly limited resources<sup>5</sup>: in Mexico the Committee meets only four times per year (though the subcommittees work with continuity). The Productivity Commission of New Zealand is somewhere in the middle, with approximately 20 staff members and enough budget to perform own research and interact with stakeholders during the performance of its inquiries. Also the age of these institutions is very different: while the Australian Productivity Commission was created in 1988 (and followed similar institutions that have existed since the 1920s), all other institutions were created very recently, and the Chilean Commission was appointed only in 2015.
  - *The productivity commissions of Denmark and Norway were set up as temporary ad hoc task forces*, with a limited in-house research capacity and strong (but not necessarily complete) multi-stakeholder representation<sup>6</sup>. Both institutions took the form of high-level multi-stakeholder *fora* that met regularly for a limited period of time (two years), without producing fresh research or new data, and ended up producing a report with several recommendations on how to re-launch and reform the national economy in light of existing challenges (oil price fluctuations for Norway, productivity slowdown for Denmark).
- *Three institutions are not explicitly framed as productivity commissions, and are established as councils that primarily advise the head of government*. These are *France Stratégie*, the U.S. Council of Economic Advisers, and the European Political Strategy Centre. These institutions have however different sizes, and functions: for example, *France Stratégie* is involved in policy evaluation, whereas neither the CEA nor the EPSC perform systematic evaluation of policies (although the CEA often cooperates with the better regulation oversight body, the OIRA).
- *One institution, the Irish Competitiveness Council, was created with a specific mandate on preserving the international competitiveness of Ireland*, and as such mostly looks at the possible reforms that would make the country more attractive for international investors.

The table below summarizes some of the key features of the ten selected institutions. As shown in the table, the degree of diversity is remarkable: however, these institutions all strive to place productivity at the centre of the debate, with different resources, strategies, tools and instruments, and a review of what has proven to work and what might have been done differently could prove useful for all those countries wishing to set up similar institutions in the future.

*Table 1 – A comparison of the ten selected institutions*

Institution	Type of institution	Date created	Staff	Mission	Location
Australian Productivity Commission	Standing Inquiry body	1988	163	Promoting productivity-enhancing reforms	Independent, reports to Parliament
Chilean Productivity Commission	Standing Inquiry body	2015	7 + board of 8	Increase productivity to improve long term well-being	Independent, Reports to the Prime Minister
Danish Productivity Commission	Ad Hoc task force	2012	9 members 14 secretariat	Issue recommendations on how to improve productivity in the private and public sector	Independent, Reports to the Prime Minister
European Political Strategy Centre	Government Advisory Council	2014	40 (of which 21 admin staff)	Advice related to the Commission's ten priorities	Centre of Government Reports to the President
France Stratégie	Government Advisory Council	2013	103 (of which 45 admin staff)	Evaluate, anticipate, debate, propose	Centre of Government Reports to the President
Mexican Productivity Committee	Government Advisory Council	2013	21 members 3 secretariat	Propose reforms that improve productivity	Government body, chaired by the Head of Government
New Zealand Productivity Commission	Standing Inquiry body	2010	15 researchers 5 admin	Improved Well-being, improved productivity	Independent, reports to Parliament
Norwegian Productivity Commission	Ad Hoc task force	2014	10 members + 5 secretariat	Enhancing productivity and improving resource utilisation	Independent, Reports to the Prime Minister
U.S. Council of Economic Advisers	Government Advisory council	1946	26 research 7 admin	Economic advice on the formulation of both domestic and international economic policy.	Centre of Government Reports to the President
Irish Competitiveness Council	Government Advisory Council	1997	12 members 5 secretariat 9 advisors	National competitiveness, sustainable growth and quality of life	Independent, Reports to the Prime Minister

## 2.1 A fast-changing landscape

It is useful to locate these institutions within the broader set of pro-productivity institutions identified by Banks (2015) in his recent contribution for the OECD. Banks identifies ten different types of pro-productivity institutions, including privately funded think tanks, publicly funded think tanks, trade tribunals, competition authorities, audit bodies, regulatory gatekeepers, departmental bureaus, central bank research units, advisory councils, ad hoc task forces, and standing inquiry bodies. Within that broad



range of institutions, our choice fell on a narrow subset of examples: while the Australian and New Zealand Productivity Commissions and the Irish Competitiveness Council were set up as stand-alone inquiry bodies, the Mexican and Chilean institutions, together with the U.S. Council of Economic Advisers, the EPSC and *France Stratégie*, can more properly be classified as advisory councils (in the case of Mexico, heavily supported by a departmental bureau); and the Danish and Norwegian Productivity Commissions can be classified as *ad hoc* task forces<sup>7</sup>. Our research broadly confirms the initial assessment contained in the institutional scorecard developed by Banks (2015), with some differences especially for what concerns advisory councils and ad hoc task forces. As will be explained in more detail below, a number of countries have recently appointed similar institutions, without endowing them with the necessary skills and research capacity.

*Table 2 – The ten selected institutions in the institutional scorecard designed by Banks (2015), and our own assessment of individual institutions*

Type of institution	Source	Linkages	Mandate	Skills	Independence	Transparency	
Privately funded think tanks	Banks (2015)	✓	✓	✓✓✓	✓	✓	
Publicly funded think tanks	Banks (2015)	✓✓✓	✓✓✓	✓✓✓	✓	✓✓✓	
Trade tribunals	Banks (2015)	✓✓✓	✓	✓✓	✓✓	✓✓	
Competition authorities	Banks (2015)	✓✓	✓✓	✓✓	✓✓✓	✓	
Audit bodies	Banks (2015)	✓	✓✓	✓	✓✓✓	✓✓	
Regulatory gatekeepers	Banks (2015)	✓✓	✓✓	✓✓	✓✓	✓	
Departmental bureaus	Banks (2015)	✓✓✓	✓	✓✓✓	✓	✓	
Central Bank research units	Banks (2015)	✓✓	✓✓	✓✓✓	✓✓✓	✓	
Advisory Councils	Banks (2015)	✓✓✓	✓✓	✓✓✓	✓	✓✓	
	<i>Own research related to:</i>						
	US CEA	✓✓	✓✓✓	✓✓✓	✓✓	✓✓	
	Mexico PC	✓✓	✓✓	✓	✓	✓✓	
	Chilean PC	✓	✓✓	✓	✓✓	✓	
	France Strategie	✓✓✓	✓✓✓	✓✓✓	✓	✓✓	
	Irish Comp. Council	✓✓	✓	✓✓	✓✓	✓✓	
	EU EPSC	✓✓	✓✓	✓✓	✓✓	✓✓	
Ad Hoc Taskforces	Banks (2015)	✓✓✓	✓✓✓	✓✓✓	✓✓	✓✓	
	<i>Own research related to:</i>						
	Norwegian PC	✓	✓✓	✓	✓✓✓	✓✓	
	Danish PC	✓	✓✓✓	✓	✓✓✓	✓✓	
Standing Inquiry Bodies	Banks (2015)	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓	
	Australian PC	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓	
	New Zealand PC	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓	

Source: Author’s elaboration on Banks (2015). In green, the original scoring by Banks (2015). In light blue, the author’s own assessment of the ten institutions.

One important finding of our research is the **growing importance and perceived usefulness of pro-productivity institutions, and more specifically productivity commissions and advisory councils**. The challenges faced by many governments and the horizontal, systemic nature of many of the reforms needed to boost productivity and aim for long-term improvements in living standards are leading countries to create independent bodies in charge of performing long-term strategic policy design by incorporating inputs and evidence from various sectors of the economy, and from a variety of sources including civil society, business, academia, and other institutions. This “one-stop-shop” effect, which leads to a more co-ordinated and structured reflection on the future of the country’s economy, is then coupled with the need to communicate effectively the institution’s findings. The latter, as will be explained below, poses different challenges depending on whether the body in charge is a standing inquiry body, fully independent of government, or a functionally autonomous body located within the centre of government.

Another important finding of our research that is worth being anticipated already at this stage is that **pro-productivity institutions appear to be increasingly inter-dependent and complementary** within the same legal system. For example, especially where regulatory reform has made more in-roads, the surveyed bodies are extensively co-operating with regulatory gatekeepers (in Mexico, the United States, and to a lesser extent Australia and New Zealand); in other cases, temporary task forces co-exist with other existing publicly funded think tanks or advisory councils (e.g., Denmark). In one specific case, the institution included in our sample coordinates a number of pre-existing publicly funded research centres and think tanks (France). Audit bodies and Productivity Commissions are increasingly overseeing regulatory gatekeepers (e.g. in the case of GAO and the European Court of Auditors, and the “Regulatory Stewardship” model adopted by the New Zealand Productivity Commission<sup>8</sup>). And in most of the selected countries, central bank department bureaus and (especially in the U.S. and Australia) competition authorities produce influential research, which provides lymph to public policy in the form of evidence and influential recommendations. The role of privately funded think tanks is most apparent in Australia, France, EU and U.S.<sup>9</sup>

Furthermore, **these institutions increasingly co-operate with each other**. The Australian Productivity Commission extensively cooperates with the New Zealand one, up to the level of producing joint reports, and has provided assistance and strategic advice also to the Mexican and Chilean productivity Commissions<sup>10</sup>. The U.S. Council of Economic Advisers and *France Stratégie* cooperate in the production and analysis of productivity data<sup>11</sup>. The Norwegian Productivity Commission capitalised on the format and working of the Danish one, for instance by including among its members the former chair of the Danish Commission. But overall, there is no dedicated standing network of productivity institutions such as, for example, the International Competition Network for competition authorities, or more regional networks such as the European Competition Network, or the Nordic Cooperation Agreement between the Danish, Iceland and Norway Competition Authorities<sup>12</sup>. However, the OECD Global Forum on Productivity includes all of these institutions as members of its Steering Group, among other countries.

Finally, **some of these bodies are increasingly taking up (or overlapping with) some of the roles and tasks of other pro-productivity institutions**. For example, *France*

*Stratégie* is evolving into a regulatory gatekeeper by performing evaluation functions on specific pieces of legislation (e.g. in the field of innovation); and the Chilean Productivity Commission will now be tasked with assessing the impact of major new legislation on productivity; the Australian Productivity Commission has traditionally been very active in assessing barriers to competition, whereas the Irish Competitiveness Council has focused for instance on trade-related aspects such as the facilitation of inward FDI.

## 2.2 *A closer look at the selected institutions*

In this section we provide a more detailed analysis of a number of features of the ten selected institutions. More details on each institution and each aspect covered in the current section are available in the Annex.

### 2.2.1 *Relationship with government*

For what concerns the relationship with government, there are two key decisions involved in the establishment of a pro-productivity institution:

- *Whether the institution should be single or multi-stakeholder*: whether to involve various representatives of civil society in a key decision-making function (e.g., on the board)<sup>13</sup>. In our sample, the Danish, Norwegian, Chilean and Mexican productivity commissions and the Irish National Competitiveness Council are multi-stakeholder<sup>14</sup>; whereas the others are not<sup>15</sup>.
- *Whether the institution should be located inside government, or outside*. In our sample, as already mentioned, only the Australian, the Chilean and New Zealand Productivity Commissions are located clearly outside government<sup>16</sup>. This, of course, does not mean that all other institutions are governmental, *i.e.*, dependent on and accountable to government: however, government offers the facilities and secretariat for these organizations.

Based on these two basic questions, Table 3 below shows where the pro-productivity institutions surveyed in this paper are located.

Table 3 - location and composition of selected PPIs

	Research-oriented	Multi-stakeholder
Inside government	France (Stratégie) U.S. (CEA) EU (PSC)	Mexican (PC) Irish (Comp. Council)
Outside government	Australian (PC) New Zealand (PC)	Danish (PC) Norwegian (PC) Chilean (PC)

Source: Author's elaboration

### 2.2.2 Overall mandate and mission

Another key issue in the observation of existing pro-productivity institutions is related to their mandate and mission. **The ten selected institutions have one aspect in common: they consider their mandate to be chiefly related to “long-term thinking”,** of the kind that governments are increasingly unable to engage into, due to resource constraints, as well as pressing short-term policy challenges<sup>17</sup>. By their very nature, pro-productivity institutions have to devote a significant amount of their time and resources to imagining structural reforms that would improve standards of living in the country, although the extent to which such activity takes place varying significantly across selected bodies.

Table 2 below shows where the pro-productivity institutions surveyed in this paper are located based on the two aspects mentioned in this section.

Table 2 – Mandate and focus on long term

	Short and long term	More long term
Narrow mandate	Mexican PC Chilean PC ?	Irish Comp. Council Danish PC ? ?
Broad Mandate	Australian PC New Zealand PC U.S. CEA ?	France Stratégie Norwegian PC EU PSC ?

Source: Author's elaboration

### 2.2.3 Legitimacy and process

A very important dimension in the analysis of pro-productivity institutions is their degree of legitimacy. This concept is usefully broken down into three complementary concepts: input, output and throughput legitimacy, which refer broadly to participation, performance and process, respectively (Schmidt, 2012). Input legitimacy refers to the degree of participation of stakeholders into the activities of the institution; output-based legitimacy is determined by the quality of the outputs produced by the institution, as well as by the extent to which they meet the consensus of stakeholders; throughput legitimacy looks at the use of stakeholder consultation and the efficacy, accountability and transparency of governance processes. All three forms of legitimacy are relevant for the purposes of this paper, and are discussed below with reference to the ten selected cases.

For what concerns input legitimacy, different countries have adopted different arrangements:

- *Some of the selected institutions are multi-stakeholder “by design”, since they feature decision-making bodies that include relevant stakeholders (Mexico, Norway, Ireland, to a lesser extent Denmark and Chile).*
- *Other institutions involve stakeholders extensively during performance of their activities (Australia, New Zealand)*
- *Other institutions occasionally involve stakeholders in the early phases of their work (U.S., EU, France).*

For what concerns output legitimacy, some institutions publish a wide variety of regular and occasional reports (*e.g.*, in Australia, New Zealand, U.S., European Commission, France); whereas others have focused their activity on a limited number of regular deliverables (*e.g.*, in Ireland); and yet another group mostly produces recommendations

that are addressed mostly at government policymakers (*e.g.*, Mexico, Chile, Norway, Denmark)<sup>18</sup>. In addition, the productivity commissions of Australia and New Zealand and the institutions surveyed in the U.S., France, Ireland and the EU feature varying degrees of capacity to produce new research, whereas the commissions established in Mexico, Norway and Denmark mostly compile existing information, without producing new knowledge through in-house research; and in Chile budget constraints so far made it very difficult for the productivity commission to embark in own research initiatives, and in a few occasions research work was outsourced to the private sector. Moreover, while institutions like the Australian Productivity Commission and the U.S. Council of Economic Advisers have existed for several decades and have consolidated their reputation and prestige, virtually placing them at the same level of highly independent and authoritative institutions such as central banks, other institutions are either chiefly dependent on the personality of their chairperson (*e.g.*, France), or are still striving to achieve a significant degree of reputation. In the case of Chile, a focus on short term pressing issues has become almost inevitable in order to signal the salience and importance of the commission's work.

Most institutions apply techniques aimed at improving the impact of their publications on the public opinion and securing that employees have strong incentives to produce work of the highest quality. These include drafting blog posts and op-eds to summarize the results of research undertaken and/or explain policy recommendations (*e.g.*, the U.S., Chile, EU, France, Australia); and relying on third party academics to evaluate the quality of specific deliverables (*e.g.*, New Zealand). But even more powerful, in this respect, is the performance of extensive public consultation on draft reports, a practice that is typical of the Productivity Commissions of Australia and New Zealand when carrying out their sectoral inquiries.

All in all, output quality seems to be one of the most valuable and fragile assets for a pro-productivity institution: even one of the most established of the surveyed institutions, the Australian Productivity Commission, seems to be particularly aware of being “one bad report away” from losing its reputation. This, in turn, determines the need to secure sufficient budget, such that the institution can hire top-level researchers, and research can take place in house, with all due peer review arrangements.

Finally, the level of throughput legitimacy of the pro-productivity institutions analysed in this report can be said to be heavily dependent on sound internal governance arrangements (due process), as well as the extent to which these institutions contribute to an open, transparent and accountable policy process. Against this background, a number of potential challenges have emerged from the interviews.

- On the one hand, *when the pro-productivity institution is independent of government the terms of reference have to be clearly stated*, so that responsibilities can be easily allocated between the institution and the receiving end. In some countries (*e.g.* Ireland, Denmark, Norway) terms of reference have been drafted for the institution as a whole, and were made available to the public<sup>19</sup>; whereas in Australia, Chile and New Zealand TORs are specified for each inquiry. Especially in Australia and New Zealand, the TOR-based process is extremely transparent and inclusive, which certainly contributes to high levels of throughput legitimacy.

- *On the other hand, institutions located at the centre of government often work on the basis of a specific mandate established by law or an administrative act. This is the case for the U.S. Council of Economic Advisers (law), France Stratégie (decree) and the EPSC (decision). These institutions perform a number of activities, only a subset of which can be subject to a transparent, inclusive process; however, all of them keep track of most of their activities (e.g., the EPSC reports all the meetings held by its Chair with stakeholders); and reach out to a wider audience to show the content and direction of their work through notes, publications, blog posts.*

But *throughput legitimacy goes beyond the existence and clarity of the mandate, and encompasses also the efficacy of decision-making, and the quality of the process.* These two dimensions are more difficult to capture for institutions like the ones under scrutiny in this report, compared to what occurs for institutions that are more directly involved in policymaking: however, the quality of internal governance and organization can exert a significant impact also on advisory bodies. For example, the existence of a board that is more numerous than the underlying staff, coupled with voting rules that *de facto* encourage quasi-unanimity, was reported as potentially hampering the efficacy of the decision-making process in the Chilean National Productivity Commission<sup>20</sup>. A similar problem emerged in Mexico due to the very limited number of government staff working to support the activity of the Productivity Commission: currently there is only three dedicated staff, whereas a reasonable estimate would be closer to having two or three times that number of full-time, relatively senior staff to fully support the functioning of the Commission. Budget and resource constraints surfaced also in the case of more established institutions such as the Australian Productivity Commission<sup>21</sup>.

#### 2.2.4 Resources and skills: coping with scarcity

Many of the surveyed institutions appear to be coping with resource limitations, both in terms of funding and human talent. At the same time, several interesting practices have emerged, which help these bodies achieve results by leveraging the potential of external experts as well as government staff. The following stand out as particularly interesting and/or innovative:

- *France Stratégie* was given the mandate to co-ordinate as many as eight existing other institutions<sup>22</sup>. This way, *France Stratégie* can tap into the existing knowledge of several well-established, high quality institutions without necessarily having to hire personnel with competence in such a wide array of fields. *France Stratégie's* co-ordination function is being strengthened in light of the European Council's recent recommendation that all Eurozone countries create or designate Productivity Boards.
- In New Zealand, a Productivity Hub was created as a partnership of agencies, which aims to improve how policy can contribute to the productivity performance of the New Zealand economy and the wellbeing of New Zealanders. The Hub Board is made up of representatives from the Productivity Commission, the Ministry of Business, Innovation and Employment, Statistics New Zealand and the Treasury. Several other agencies and non-government groups are active in the partnership.

- The Mexican Productivity Committee can rely on a very small secretariat rooted in the Ministry of Finance: however, the secretariat can leverage expertise from the whole government administration: to this end, the creation of five sub-committees in charge of high priority issues has proven essential for a smooth and effective working of the institution.<sup>23</sup>

Independently of the resources available to them, many of the surveyed institutions face problems due to the *lack of sufficient capacity or skills in those parts of administrations* that receive policy recommendations and would be in charge of implementing them. Well-established productivity commissions consider the lack of capacity in their interlocutors among the key constraints they face to an expansion of their activities.

### 2.2.5 *Are pro-productivity institutions plugged into the policy process?*

Banks (2015) considers that pro-productivity institutions can become more effective when they are ‘plugged in’ to policy-making processes bearing on productive performance, or at least to be in a position to influence decision-making in those areas. Our analysis broadly confirms this idea, and shows that there are many ways in which an institution like the ones considered in this report can become plugged into the policy process at the national level. As a preliminary remark, it bears recalling that where a culture of evidence-based policymaking is more developed, pro-productivity institutions can engage more effectively with the executive, and be involved in the regulatory governance cycle. In this respect, legal systems like Australia, Mexico, the U.S. and the EU (European Commission) have a clear advantage over others, which have experimented less with better regulation tools (OECD 2015c, 2016). That said, the following experiences stand out as particularly relevant:

- The U.S. Council of Economic Advisers regularly co-operates with OIRA in the *ex ante* economic analysis of the impacts of new federal regulations, in particular when the quality of economic analysis is at stake; and it had a role also in overseeing the first steps of the retrospective regulatory reviews mandated by Executive Order 13,563 of 2012<sup>24</sup>.
- *France Stratégie* is in charge of evaluating public policies for the French government. In order to fulfil this mandate, it performs *ad hoc* policy evaluation and acts also through dedicated initiatives and bodies<sup>25</sup>.
- The Chilean Productivity Commission achieved a major milestone recently when President Bachelet officially endorsed the first of its 21 recommendations, which entails that all new major legislative proposals be subject to a specific productivity impact assessment.
- The Mexican productivity committee cooperates extensively with the regulatory oversight body COFEMER, which participates to the sessions and works with the subcommittees in the identification of areas for the reduction of administrative burdens and regulatory costs; and carries out both *ex ante* and *ex post* evaluations of existing regulation.



Being involved in *ex post* evaluation is more difficult for those institutions that take play mostly an advisory role, rather than being nested in the centre of government. For example, The Danish Productivity Commission came up with more than 100 concrete policy recommendations, many of which have found their way (sometimes in modified form) into subsequent parliamentary legislation both during the previous and the current government. The Norwegian Productivity Commission issued 180 recommendations, some of which have been implemented, whereas others remained on paper. Both commissions did not have much time to assess the impact of their recommendations, given the broadness and complexity of their mandates. On the other hand, their main role was pointing to important problems and helping to pave the way for (some) controversial reforms by influencing public opinion and the political debate. Many of the policy recommendations reportedly needed further technical analysis before they could be put into practice, but this is probably best done in the relevant ministries and government bodies and/or in other expert committees with a more narrow and specific focus.

However, there are ways to follow up on policy recommendations and put pressure on administrations to actually implement them. For example, in Ireland, the Jobs Action Plan forced administrations to report on the implementation of recommendations issued by the Competitiveness Council in its Competitiveness Challenge report on a regular basis. And in New Zealand the Productivity Commission is considering to commission external work on the actual implementation and impact of the recommendations issued.

#### 2.2.6 *Communication and outreach: the quest for keeping productivity under the spotlight*

As already mentioned in the introduction to this report, developing an effective narrative for pro-productivity reforms is often difficult due to the distributional impacts that these reforms often create, requiring at times that powerful incumbents be subject to enhanced competition, or that entirely new business models enter the marketplace. Productivity has been termed by one of our interviewee as facing both an “awareness problem” and an “image problem”: on the one hand, it is hard to communicate why productivity should be a key concern for economic policy in the long run; on the other hand, it is common to hear opinions that associate productivity-oriented reforms with fears of job losses and reduced safeguards for employees or other social groups. As an example, it reportedly turned out impossible to involve workers’ unions in the activities of the Norwegian Productivity Commission.

Many of the interviewed institutions still face important challenges in building a convincing narrative for productivity, and keeping the issue under the spotlight in the public debate. Overall, it is possible to distinguish between institutions that have diversified their activities to adopt a very broad notion of productivity, most often overlapping with long-term well-being; and institutions that strive to keep productivity at the core of the activity of government. Emerging lessons include the following.

- *Focusing on long-term well-being*, rather than productivity *stricto sensu*, is important to elicit trust and signal the relevance of the institution’s work. Institutions in Australia, New Zealand, France, the European Commission all follow this strategy, both due to their broader official mandate and also to enhance their legitimacy.

- *A good combination of long and short-term actions is also important, where possible, to keep the institution's mission under the spotlight.* In some cases, a focus on short-term actions has proven inevitable to very young institutions wishing to signal their relevance (e.g., Chile); in other cases, a relatively narrow focus has been combined with the need for actionable short term recommendations (e.g., Ireland); and in yet another set of circumstances the institution has been used at times also as a “crisis unit” (e.g., the U.S. Council of Economic Advisers during the financial crisis at the end of the last decade)<sup>26</sup>.
- *Communicating the expected impacts of proposed reforms* is essential for stakeholders to understand the relevance and salience of recommendations issued by the institution. This is leading several institutions to enter the evaluation space and also to become more visible in the media, which are often thirsty of figures to show<sup>27</sup>.
- *Periodic reporting on productivity, and/or the creation of one or more landmark reports can help keeping proposed reforms under the spotlight.* This is more easily achieved when the mandate of the institution at hand is relatively narrow: for example, the Irish Competitiveness Council is becoming increasingly influential in Irish politics also due to the quality and impact of its yearly reports on the Competitiveness Scorecard and on the Cost of Doing Business in Ireland.
- *A strong political commitment to follow up on the recommendations issued by the institution is essential:* the example of the Jobs Action Plan in Ireland is an important one, where the government has demonstrated the commitment to follow up on the recommendations of the competitiveness council by mandating that administrations report on their achievements on a regular basis.

Besides these pre-conditions, the interviewed institutions are adopting a number of strategies to keep their mission under the radar of policymakers and the public opinion. In most cases they entail the publication of blog posts; the development of user-friendly recommendations with more attractive graphic rendering; the delivery of regular public speeches and interviews. Their mere existence is in some cases exerting an impact on the private sector: for example, in Chile the creation of the productivity commission has reportedly led both the industry association and the workers' union to start considering the creation of similar bodies. More generally, to the extent that the creation of pro-productivity institutions contributes to the diffusion of a culture of evidence-based policymaking, this can also lead academics, stakeholder groups, and think tanks to become gradually more involved in the public debate.

### **3 EMERGING LESSONS**

The previous sections have shed light on some of the emerging trends in the operation of pro-productivity institutions, with specific reference to standing inquiry bodies, ad hoc task forces and public think tanks located at the centre of government. This section discusses some of the emerging lessons from the series of interviews that were conducted for the purposes of this report.

***Lesson 1: Context matters: there is no one-size-fits-all solution when it comes to pro-productivity institutions***

The selected legal systems have adopted very different solutions in terms of overall functions, design, governance, process, and degree of transparency and stakeholder engagement. The impression gathered through the interviews is that context matters, and that different legal systems might find specific arrangements more appropriate than others. This, in turn, means that success stories such as the Australian Productivity Commission, or the U.S. Council of Economic Advisers, are not easy to transplant from one legal system to another. Perhaps the clearest example in this respect is the assistance provided by the Australian Productivity Commission to governments wishing to set up similar bodies in countries like New Zealand, Mexico, Chile and Argentina (not covered in this report): it appeared clear from the outset that for various reasons none of these countries could exactly replicate the Australian model, which can be traced back to a century-long experience and can rely on a consolidated tradition of transparent, accountable, evidence-based policy process. The new productivity commissions ended up being often less financially endowed and in some cases less transparent and independent than the Australian one, but still a marked improvement in their country's policy debate. Other countries have decided to set up pro-productivity institutions as a response to a specific shock or an emerging policy problem, as was the case for the oil crisis in Norway, evidence of slowdown in productivity growth in Denmark, or need to preserve cost competitiveness in Ireland. These emergency-led strategies have led to a narrower scope of the initiatives, be that in terms of duration of the mandate (Norway, Denmark) or in terms of overall scope of the institution's activities (Ireland).

As a result, **there is a strong need to adapt institutional and governance arrangements to national legal and political culture**, as also flagged by the interviewed experts.

***Lesson 2: Pro-productivity institutions are no panacea: they should be part of an effort to embrace good governance and evidence-based policymaking***

Besides institutional design and governance aspects, our study supports the view that the **effectiveness of a pro-productivity institution can significantly depend on the extent to which good governance and better regulation principles are embedded in the legal system**. Pro-productivity institutions can issue as many policy recommendations as they wish, but the uptake of such recommendations in the administration will largely depend on the administration's capacity to absorb and implement them, on the political commitment towards following up on these recommendations, and on the extent to which government relies on evidence to design its regulatory reform proposals. Against this background, the issue of pro-productivity institutions and reforms cannot, and should not, be kept separate from that of regulatory governance and reform. A well-designed productivity institution surrounded by government administrations that lack transparency and accountability arrangements, good public management practices, and skills is doomed to remain a preacher in the desert, and a waste of money to taxpayers. It is thus

useful to compare the results of our survey with those of the OECD Regulatory Policy Outlook, which refers to November 2015<sup>28</sup>.

### ***Lesson 3: Political commitment is essential***

An essential element that emerged from the interviews is that *without a strong political commitment, pro-productivity institutions are unlikely to flourish or become prominent in the overall political landscape*. Such commitment can take various forms: there are various ways in which the role and work of a pro-productivity institution can be given importance and impact at the government level, which include:

- Providing a strong legal basis and both *de jure* and *de facto* independence to the institution<sup>29</sup>;
- Chairing a multi-stakeholder body at the highest political level (Mexico<sup>30</sup>);
- Appointing highly reputed academics as in charge of leading standing inquiry bodies or advisory councils at the centre of government (U.S., Chile, Ireland, Denmark);
- Mandating research on specific pressing policy issues, to be analysed by the institution in a transparent and in-depth manner (Australia, New Zealand);
- Committing to explicitly discuss or even to formally adopt and implement the institution's recommendations (Mexico<sup>31</sup>, Ireland);
- Involving the institution in the design and/or in the evaluation of policies (U.S., France, Chile).

### ***Lesson 4: Independence is important, although its extent can vary depending on the circumstances***

Most of the surveyed institutions consider their independence to be a key asset, which contributes extensively to the legitimacy of their output. At the same time, some of the institutions at hand report to their governments, rather than to parliaments or other non-governmental institutions, which makes them potentially less independent in formulating policy recommendations. The common features that appear to be essential for a fruitful role of a pro-productivity institution are the need to avoid governmental control on the content and scope of the recommendations; and the possibility to act autonomously, and not just reacting to individual mandates issued by government.

Against this background, independence and autonomy are always doomed to remain relative, rather than absolute. For example, while many productivity commissions modelled on the Australian example consider themselves to be fully independent, this condition has to be qualified since in many circumstances their possibility to undertake own initiatives and research is constrained by budget availability, also since the amount of work commissioned by government tends to cannibalize the possibility for independent research. The lack of full independence is of course more likely when institutions are purely internal to the administration, even if functional autonomy is explicitly granted. It is however important that clear provisions are in place to secure that

the fields of research and the ultimate recommendations produced by such institutions are not entirely pre-determined by the centre of government, which normally acts as the main recipient of such recommendations, and in charge of translating them into concrete policy steps.

From a slightly different angle, it is interesting to observe that the “TOR system” described in Section 2.1 above is more appropriate for truly independent bodies, than for “internal” advisory bodies; and even for independent bodies, they should not be the only way for a pro-productivity institution to produce research and policy recommendations. Within the TOR system, it is then essential to ensure that stakeholders can have a say on the main premises, draft and final results, in order to avoid that governments exert further control on the results of commissioned research. More generally, quality, transparency and political commitment are all factors that result from, and also reinforce the independence of a pro-productivity institution, and as such should be adequately considered when designing such an institution for a given legal system.

All in all, some of our interviews with external experts have cast important doubts on the ability of non-independent (or not fully independent) bodies to propose disruptive changes and courageous reforms, which partly undermines the role that pro-productivity institutions should play as “long term public policy design workshops”. Given the long term, systemic nature of reforms that are increasingly needed to boost productivity in the long-term, this might seriously undermine the overall purpose of setting up a pro-productivity institution. Accordingly, **independence seems to stand out as a key requirement for the effectiveness, legitimacy and overall impact of pro-productivity institutions.**

***Lesson 5: Budget and human resources must be sufficient to allow for high-quality research and quality control***

The need for autonomy and independence is also reflected in the **need for sufficient budget and resources to organize the institution’s research work.** While certain institutions only led to the compilation of relevant research with no ambition to produce new data and information (*e.g.*, in Denmark and Norway, where in any case the Productivity Commissions included a significant number of academics), most other institutions have the ambition to be active in research and in the production of new findings, whether through inquiries or desk/empirical research. However, the budget and human resources they are endowed with is not always compatible with this ambition<sup>32</sup>.

As a consequence, it is important to remind that, if the role of a pro-productivity institution is to be taken seriously, not only the work of the institution has to be performed independently, but the **resources made available should also be sufficient to attract a good number of top quality researchers**, as well as to allow for peer review and quality control of research methodologies and results<sup>33</sup>. For example, the Norwegian Commission was well supported by competent staff from the relevant economic ministries and also drew on analytical work by Norwegian academic experts and consultants. The Danish commission had a relatively small secretariat (considering its very broad mandate) and could have benefited from having more resources, although its

members tried to draw as much as possible on outside expertise and relevant academic research.

In terms of specific expertise, **while the role of economists is widely acknowledged, that of other experts, e.g., in innovation, education and public administration is often underestimated.** In Denmark and Norway, several outside observers criticized that productivity commissions were dominated by economists, and one of our interviewees suggested that the commissions could probably have benefited from a greater participation from political scientists with special insight into public administration, given that a large part of their agendas focused on productivity problems in the public sector. Another consistent finding is that none of these institutions actively engaged with stakeholder by using modern open government and open access tools.

The availability of resources is even more important when coupled with a mandate that, in addition to specific “on demand” research, allows for own research initiatives. When this is explicitly foreseen (e.g., Australia, Chile, New Zealand), **most often the budget is insufficient to leave space for spontaneous initiatives**, and this is potentially weakening the pro-productivity potential of these institutions’ work.

### ***Lesson 6: Institutions should engage with stakeholders***

Openness and transparency are increasingly important for institutions like the ones that were selected for the purposes of this paper. Some of these institutions consult stakeholders throughout the course of their activities (Australia, New Zealand); others are multi-stakeholder by design, and as such rely less often on public stakeholder consultation (Ireland, Mexico, to some extent Chile); and yet other institutions meet constantly with stakeholders or reach out to the public opinion even if their core activity would be advising the government (EPSC, *France Stratégie*, U.S. CEA).

**While the scope and design of the institution determines the best way in which it can interact with stakeholders, the need for such interaction has emerged from our analysis as an essential pillar of setting up an effective pro-productivity body.** In the future, these forms of engagement might involve the use of more modern instruments, such as open government and open access, or wiki platforms for interaction with external stakeholders (Noveck, 2015). To date, however, none of these institutions seems to have embraced these new instruments.

Possible arrangements that can strengthen the level of interaction with stakeholders and are adopted by some of the surveyed institutions, include the adoption of minimum consultation standards (especially in TOR-based standing inquiry bodies); commitment or obligation to respond to submissions with a motivated statement of acceptance or rejection; the organization of workshops or online *fora* related to individual policy issues; the use of blogs with comment sections to stimulate interaction, and many more.

***Lesson 7: It is important to combine short- and long-term thinking in the institution to preserve legitimacy and salience***

Our analysis has highlighted that **all pro-productivity institutions (with varying degrees) consider long-term thinking to be their core business**. The reason is that these institutions are often advising governments by focusing on the structural reforms that government bureaucracies and hierarchies often have too little time to consider. Short-termism in government is often caused by the need to preserve political consensus, to the constraints exerted by the electoral cycle, to shrinking budgets in public administrations (Jacobs, 2009; Thompson, 2010). Having an institution think about the past, present and future trends that require reform in the country's public policies is increasingly essential, especially as the challenge of restoring sustained productivity growth very often requires a view on reshuffling current market structures and challenging incumbent players.

That said, it would be at once extreme and naïve to imagine that an institution can at once be plugged into the policy process, provide influential policy recommendations to government, and stay away entirely from short-term issues. In addition, relatively new institutions often find short-term issues to be a good opportunity to raise their reputation and legitimacy for the wider public. Examples of short term issues in which the selected productivity institutions were heavily involved include the oil shock of 1973-1974, the financial crisis in 2007-2008, the *Loi Travail* in France, and the fall of oil prices in the case of Norway. In addition, reports that focus on short term as well as long-term initiatives have proven to be very useful in the case of the Irish Competitiveness Council, as already mentioned above.

Accordingly, **there seems to be reason to believe that a combination of short- and long-term research and advocacy is to be preferred**, as it can increase the effectiveness and legitimacy of pro-productivity institutions, and in addition makes them more easily plugged into the regulatory process.

***Lesson 8: Pro-productivity institutions should be “plugged in” the policy process***

Pro-productivity institutions can represent a great complement to regulatory oversight bodies in securing that the economics backing legislation and regulation is sound, and that the “long term” is adequately accounted for when designing or evaluating new policy interventions. This occurs especially in the United States, but also to various degrees in Mexico and Chile. In other circumstances, the link between these institutions and oversight bodies in charge of the regulatory governance cycle is weaker: in Norway and Denmark the productivity commissions were not designed to be embedded permanently in the regulatory governance cycle, given their short duration; in Ireland, better regulation and in particular regulatory impact analysis have gradually been phased out by the government after an ambitious attempt to introduce them in 2007. In the European Commission, the link could be established in the future, but so far there seems to be very little cooperation between the EPSC and the Regulatory Scrutiny Board.

Depending on the institutional location of the pro-productivity institution, the arrangements that might promote a further involvement in the policy process can vary. The ones that seem more effective and important include the following:

- **Coupling policy recommendations with a preliminary impact analysis, which incorporates an assessment of the distributional impacts of proposed reforms.** This could help government services in charge of *ex ante* regulatory impact analysis in conducting their evaluation; it would also help the data produced “speak for themselves”, including for media outreach and policy advocacy purposes; and it would also incentivize pro-productivity institutions to formulate “actionable”, evidence-based recommendations.
- **Carrying out early stakeholder consultation on proposed reforms.** This can lead to the collection of data and stakeholder positions in a way that facilitates government in the subsequent phases of the policy cycle.
- **Assisting regulatory oversight bodies in validating the quality of economic analysis of proposed new regulation.** Especially when pro-productivity institutions can rely on highly skilled economists, this role could prove very important for government.
- **Assisting government departments and ministries in the retrospective review of existing rules, or clusters of rules.** Pro-productivity institutions are perfectly positioned to help governments run an in-depth evaluation of entire policy areas, individual pieces of legislation/regulation, or the performance of specific industry sectors.
- **Evaluating the functioning of the whole regulatory system.** Independent bodies that possess a consolidated reputation are well positioned to perform such an evaluation, which is often carried out by audit offices in some legal systems (*e.g.*, the UK, the EU, and the U.S.). This already occurred in New Zealand, where the Productivity Commission completed in 2015 an in-depth Regulatory Institutions and Practices Inquiry<sup>34</sup>.
- **Evaluating the long-term impact of existing legislation.** Pro-productivity institutions can play a valuable role in securing what the OECD recently defined as the objective of “aligning policies” for the long term (OECD 2015), for several reasons. On the one hand, the link between daily policymaking and long-term goals is increasingly felt, especially with respect to the sustainable development goals and the need to restore productivity growth through ambitious industrial and socio-economic transformations. On the other hand, in many countries better regulation is limited to government activity, and the evaluation function is located in government, which makes it difficult to evaluate the impact of primary legislation and the need for reform in the interest of long-term well-being.

#### 4 CONCLUDING REMARKS AND POLICY IMPLICATIONS

This paper contains the results of an in-depth analysis of ten pro-productivity institutions, and draws a number of lessons that could prove useful for the institutions themselves, and



for governments and parliament that are currently considering whether to create new pro-productivity institutions. The ten selected institutions can be classified as advisory councils, standing inquiry bodies or ad hoc task forces, and do not exhaust the possible choices available to a given legal system when it comes to stimulating and promoting the debate on pro-productivity reforms, as discussed in the introductory section of this paper. Moreover, the peculiarity of legal systems and the importance of context in determining the optimal design, mandate, mission and governance of pro-productivity institutions limit the possible extension of individual findings to all other institutional settings.

That said, this paper broadly confirms the indications already contained in earlier work for the OECD (Banks, 2015) for what concerns the usefulness of setting up pro-productivity institutions, and the importance of conceiving of an overall institutional setting that leaves space for long-term thinking and strategic policy design. And while it is impossible to correlate the existence of pro-productivity institutions with stronger economic performance (also since, in many countries, productivity commissions were created as a response to a productivity slowdown), it is acknowledged that governance indicators and institutional capacity indicators (*e.g.*, government effectiveness) are more correlated with growth and economic performance than most other indicators, including Doing Business and product market regulation indicators (Han *et al.*, 2014; Emara and Johnsa, 2014; Emara and Chiu, 2016; Balta and Mohl, 2014).

Most OECD countries today face the challenge of the on-going productivity slowdown; this challenge is bigger today, as the reforms needed to restore inclusive growth and sustainable development call on governments to adopt a long-term perspective, disregard vested interest and incumbency stances and cross-sectoral boundaries by crafting new policies that favour and promote systemic change and socio-economic transformations. One way to face this challenge is to ensure that the overall governance and institutional setting is conducive to such reforms, and the creation of pro-productivity institutions is a meaningful way to pursue this goal. When well designed, pro-productivity institutions are considered as providing a very important contribution to the debate on the future of economic policy at the national level. Far from being a panacea, they can orchestrate and promote a multi-stakeholder, evidence-based debate on the causes of the productivity slowdown in their countries, as well as on possible solutions. Resource and time-constrained governments are not as adequately positioned as independent, highly skilled, multi-stakeholder institutions in playing this role. However, it takes smart and effective governments to engage with independent pro-productivity institutions, to fully understand their recommendations and translate them into concrete reform initiatives.

Our analysis adds to existing knowledge in several respects. We find that, despite existing constraints, well-designed productivity commissions can generally improve the overall quality of the political debate over economic, social and environmental reforms, and contribute to evidence-based policymaking. Our results also support the view that centralising knowledge and research on productivity in one autonomous, independent and highly skilled body can help create the momentum and the body of knowledge that are required to embrace the challenging task of promoting long-term productivity growth. And importantly, we found evidence that while institutions located outside government have more leeway in promoting reforms that challenge vested interests and produce results over a time span that goes beyond the electoral cycle, the existence of smart

government bodies (*e.g.*, the small secretariat supporting the Mexican Productivity Committee) can engage to a much larger extent in experimental policymaking and pave the way for a more adaptive policy process, based on evidence. In all this, it is of utmost importance that these bodies be given sufficient resources, skills, transparency and procedural accountability to fulfil their tasks; a sufficiently broad mission, which looks at long-term well-being and at both supply-side and demand-side; policy evaluation functions, be they related to the bodies' own proposed reforms, or to existing or proposed government policies; and the ability to reach out to the general public in a variety of ways, from consultation to advocacy, use of social media, and other forms of communication.

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[www.productivity.govt.nz](http://www.productivity.govt.nz)

<http://www.comisiondeproductividad.cl/que-es/>

<http://www.gob.mx/productividad/articulos/comite-nacional-de-productividad-cnp>

<http://www.competitiveness.ie>

<http://produktivitetskommissionen.dk/>

<http://produktivitetskommisjonen.no/>

[http://ec.europa.eu/epsc/home\\_en](http://ec.europa.eu/epsc/home_en)

<https://www.whitehouse.gov/administration/eop/cea>

<http://www.strategie.gouv.fr/>

## ENDNOTES

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- <sup>1</sup> <https://www.oecd.org/global-forum-productivity/library/The-Productivity-Inclusiveness-Nexus-Preliminary.pdf>
- <sup>2</sup> <http://www.strategie.gouv.fr/sites/strategie.gouv.fr/files/atoms/files/ns-fs-solving-productivity-february-2016.pdf>
- <sup>3</sup> See OECD's work on center of government institutions.
- <sup>4</sup> It can count on approximately 163 staff members selected among the best available researchers on the marketplace, and an overall budget that allows for dealing with five large inquiries at the same time (although it currently does more than that)
- <sup>5</sup> The Chilean national productivity commission relies on a high-level multi-stakeholder board composed of eight members, supported by a secretariat of no more than seven researchers, and a budget that should suffice for two in depth inquiries per year (but is reportedly barely sufficient for one); the Mexican productivity committee is a permanent multi-stakeholder advisory platform supported by no more than three members of the economic productivity unit at the Ministry of Finance, although these members have the possibility of leveraging competence existing in their ministry and across other institutions
- <sup>6</sup> For example, the Norwegian Productivity Commission could not manage to involve workers' unions, who were very reluctant and opposed to the process.
- <sup>7</sup> The Danish Productivity Commission focused systematically on issues of productivity, stressing that higher productivity growth is a basic driver of the long run growth in real incomes. The Norwegian Productivity Commission was more eclectic, acknowledging that some policy measures such as measures to bring low-skilled workers into may reduce labour productivity but may nevertheless improve economic efficiency and welfare.
- <sup>8</sup> <http://www.treasury.govt.nz/regulation/stewardship>.
- <sup>9</sup> See for instance, [www2.jiia.or.jp/pdf/osirase/2015\\_Global\\_Go\\_To\\_Think\\_Tank\\_Index\\_Top\\_USandNonUS\\_.pdf](http://www2.jiia.or.jp/pdf/osirase/2015_Global_Go_To_Think_Tank_Index_Top_USandNonUS_.pdf).
- <sup>10</sup> <http://www.pc.gov.au/inquiries/completed/australia-new-zealand>
- <sup>11</sup> <http://www.strategie.gouv.fr/publications/solving-productivity-conundrum>
- <sup>12</sup> Agreement between Denmark, Iceland and Norway on co-operation in competition cases, see <http://www.konkurransetilsynet.no/en/om-oss/nordic-co-operation2/> See more generally the OECD report on International Regulatory Cooperation, <http://www.oecd.org/gov/regulatory-policy/international-regulatory-co-operation-9789264200463-en.htm>
- <sup>13</sup> In Norway the decision was made not to include representatives of the workers' union: this was due to their reluctance to be involved and their opposition to the initiative.
- <sup>14</sup> In Chile, the members of the board are named based on their "technical" and "cross-cutting" competences. The Danish Productivity Commission was an independent expert committee, but we made considerable efforts to maintain a fruitful dialogue with relevant stakeholders, although some of its recommendations generated some predictable resistance from interest groups that benefit from current anticompetitive regulations.
- <sup>15</sup> Clarify: multi-stakeholder institutions are sometimes public-private, sometimes organized to represent all relevant stakeholders. Members of the Commission are appointed for fixed periods of up to 5 years, and cannot be removed except in prescribed circumstances (akin to the judiciary). They are civil servants.

- <sup>16</sup> The case of Chile is hybrid as the members of the secretariat of the Productivity Commission are under the same contract as civil servants.
- <sup>17</sup> However, while all institutions consider themselves as focused on long-term issues, opinions diverge as regards the relevance of short-term work. For example, the first months of the Chilean Productivity Commission were characterized by attention to shorter-term issues, as the institution itself was also striving to establish its legitimacy and reputation in the face of government and the public opinion. And all institutions that are called to contribute to the evaluation of existing policies, whether ex ante or ex post, can be said to work also on short-term issues alongside longer-term subjects.
- <sup>18</sup> The Danish Productivity Commission came up with more than 100 fairly concrete policy recommendations many of which have found their way (sometimes in modified form) into subsequent parliamentary legislation both during the previous and the current government. Overall, the commission's policy recommendation have had a significant impact and there is much awareness of the Danish productivity problem in policy circles.
- <sup>19</sup> <http://produktivitetsskommissionen.dk/media/133600/Kommissoriet%20p%C3%A5%20engelsk.pdf>; <http://produktivitetsskommissjonen.no/files/2014/02/mandat.pdf>; <http://www.competitiveness.ie/About-Us/NCC%20Terms%20of%20Reference/>
- <sup>20</sup> In the case of the U.S. Council of Economic Advisers, one possible issue was the very short duration of member positions: however, such short duration reportedly helps attracting top-level scholars, who cannot leave their academic positions for more than two years.
- <sup>21</sup> Although its budget would reportedly be compatible with running as many as five inquiries at the same time, the Commission currently has nine on the table.
- <sup>22</sup> The Council for economic analysis; the advisory Council on the future of the pension system; the advisory Council on employment policy; the High Family Council; the High Council for the future of health insurance; the High Council for the financing of social protection; the national industry Council; and the CEPII, research centre in international economics
- <sup>23</sup> All subcommittees feature a multi-stakeholder composition, with strong participation from the government side. They meet independently of the plenary sessions of the Commission, which meets normally four times per year.  
[https://www.gob.mx/cms/uploads/attachment/file/6672/Acta\\_sesion1\\_CNP.pdf](https://www.gob.mx/cms/uploads/attachment/file/6672/Acta_sesion1_CNP.pdf).
- <sup>24</sup> Exec. Order No. 13,563, 3 C.F.R. 215 (2012), reprinted in 5 U.S.C. § 601, at 816-17 (2012). The recent Economic Report of the President for 2016 observes that while macroeconomic issues continue to be an important part of CEA's portfolio, in recent decades CEA has devoted an increasing amount of attention to microeconomic issues that arise in the context of legislation, regulatory processes, and other administrative actions.
- <sup>25</sup> For example, the National Commission for the Evaluation of Innovation Policies (CNEPI), which follows up the adoption of the plan "A new deal for innovation"; the Commission for the study of the effects of the Growth and Economic Activity Act (so-called "Macron 1" law); and the Monitoring committee on state aids to companies, initially set up to evaluate the implementation of the Tax Credit for Competitiveness and Employment (CICE), and later empowered to perform evaluations of all forms of public aids
- <sup>26</sup> Under the leadership of CEA Chairs Edward Lazear, Christina Romer, and Austan Goolsbee, CEA played a role in designing countercyclical measures that were passed in response to the 2008-09 global financial crisis and its aftermath. The Council conducted the overall macroeconomic analysis that helped identify the need for, and design of, countercyclical fiscal measures, most notably the American Recovery and Reinvestment Act of 2009. See [https://www.whitehouse.gov/sites/default/files/docs/ERP\\_2016\\_Chapter\\_7.pdf](https://www.whitehouse.gov/sites/default/files/docs/ERP_2016_Chapter_7.pdf)
- <sup>27</sup> See e.g. <http://www.pc.gov.au/news-media/media-releases>; <http://www.productivity.govt.nz/inquiry-content/2032?stage=4>; <http://igps.victoria.ac.nz/publications/files/7339ad6aae2.pdf>; <http://www.businesspost.ie/work-harder-cut-costs-competitiveness-council-to-irish-business/>

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- 28 <http://www.oecd.org/publications/oecd-regulatory-policy-outlook-2015-9789264238770-en.htm>
- 29 For example, the Australian Productivity Commission was created as an independent authority by an Act of Parliament in 1998, whereas the New Zealand Productivity Commission was set up as an independent crown entity. In Chile, the legal basis of the Productivity Commission is now being strengthened, in the attempt to consolidate the standing and legitimacy of the institution.
- 30 The fact that the President of Mexico participates to one of the sessions of the productivity commission reportedly motivated all stakeholders to secure active and fruitful involvement and participation; at the same time, such presence is limited to one meeting to avoid that the discussion becomes too formal, and that the debate within the commission becomes less open.
- 31 Recommendations are being made binding for government administrations in Mexico. Some administrations mandatorily report on their adoption on a regular basis (e.g. in Ireland, limited to the Jobs Action Plan); or that government responds to the recommendations with a communication or a motivated statement (often, in Australia and New Zealand)<sup>31</sup>.
- 32 As already mentioned in Section 2, in Mexico there are three staff members in the Economic Productivity Unit of the Ministry of Finance, only one of which is full time dedicated to the agenda and operations of the Productivity Commission. In Chile, seven researchers bear the burden of at least two parallel inquiries per year, and are often involved with short-term problems in addition. In Australia and New Zealand, the Productivity Commission conduct parallel in-depth inquiries, which entail i.a. traveling throughout the country to meet with stakeholders.
- 33 For example, in Australia the Productivity Commission reportedly competes with the most highly reputed institutions (e.g. the central bank) in attracting the best graduate students; moreover, the it retains graduates for an average 10-12 years, which is remarkably more than what happens in other parts of government. Graduate students thus remain, develop, learn, and pass on their experience: this is one of the advantages of independence, and also of stability and institutionalization.
- 34 <http://www.productivity.govt.nz/sites/default/files/regulatory-institutions-and-practices-final-report.pdf>



