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PRO-PRODUCTIVITY INSTITUTIONS: LEARNING FROM NATIONAL EXPERIENCE

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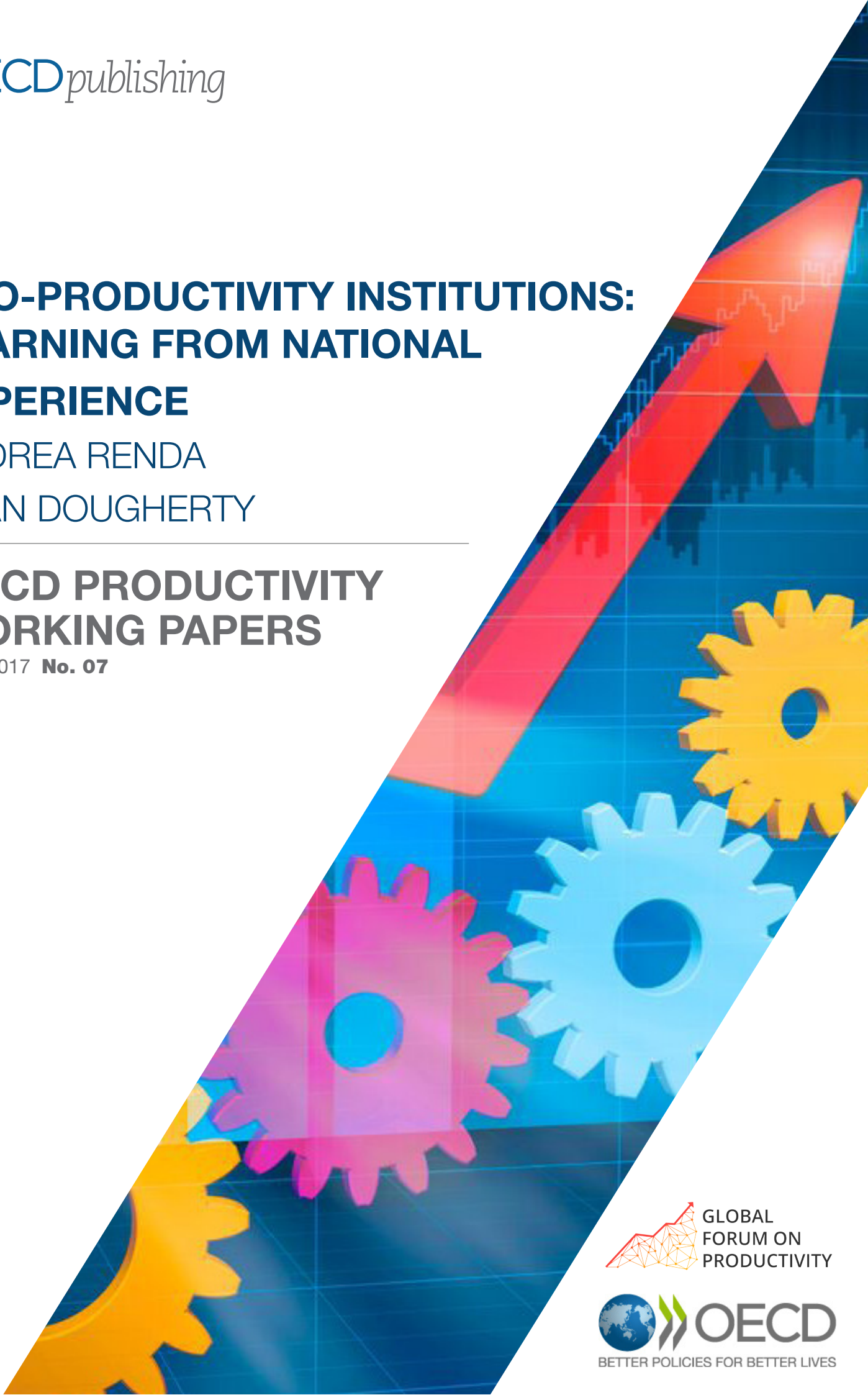

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ABSTRACT/RESUMÉ

Pro-Productivity Institutions: Learning from National Experience

This paper analyses and compares ten institutions that have a mandate to promote productivity-enhancing reforms. The selected bodies 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 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.

JEL codes: D7, H1, L1, O4.
Keywords: government bodies, independence, political economy of reform, public sector productivity.

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Les institutions de promotion des politiques de productivité : les enseignements des expériences nationales

Le présent document analyse et compare une dizaine d'institutions chargées de promouvoir les réformes en faveur de la productivité. Sont représentés dans cet échantillon des conseils consultatifs auprès des autorités, des organes d'enquête permanents, ou encore des groupes d'études *ad hoc* temporaires. Nous avons observé que si elles sont bien conçues, des institutions de ce type peuvent généralement améliorer la qualité de l'action publique et le débat politique et jouer un rôle appréciable dans le processus d'élaboration des politiques à partir d'éléments factuels. Nos constatations confirment également que le fait de concentrer l'expertise et la recherche sur les questions de productivité dans un seul et même organisme indépendant, réputé et hautement compétent, peut aider à générer la dynamique et le savoir-faire nécessaires pour s'acquitter de cette difficile mission qui consiste à promouvoir la croissance de la productivité à long terme. Nous avons pu également constater que si des institutions privées peuvent avoir plus de latitude pour défendre des réformes qui remettent en cause des avantages acquis et produisent des résultats au-delà de l'horizon des cycles électoraux, l'existence de bonnes structures publiques peut permettre une élaboration expérimentale des politiques publiques et des interventions plus modulables et fondées sur des éléments factuels. Nous avons également observé qu'il est extrêmement important d'assurer à ces organismes des ressources et compétences suffisantes ; la transparence et la responsabilité quant aux procédures choisies pour s'acquitter de leurs fonctions ; une définition suffisamment générale de leur mission, axée sur le bien-être à long terme et envisageant à la fois l'offre et la demande ; des fonctions d'évaluateur des politiques menées et enfin, la possibilité de toucher le grand public de diverses manières, qu'il s'agisse de consultations ou d'actions de sensibilisation, ou encore *via* les médias sociaux et toute autre forme de communication.

JEL codes: D7, H1, L1, O4.
Mots-clés : organismes publics, indépendance, économie politique des réformes, productivité du secteur public.

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PRO-PRODUCTIVITY INSTITUTIONS: SELECTED NATIONAL EXPERIENCES

Andrea Renda and Sean Dougherty[1]

1. Introduction

1. 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[2]. 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), and insufficient exit, as in the case of "Zombies" (Andrews et al., 2016). Data presented in a joint event organized by *France Stratégie* and the US 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[3].

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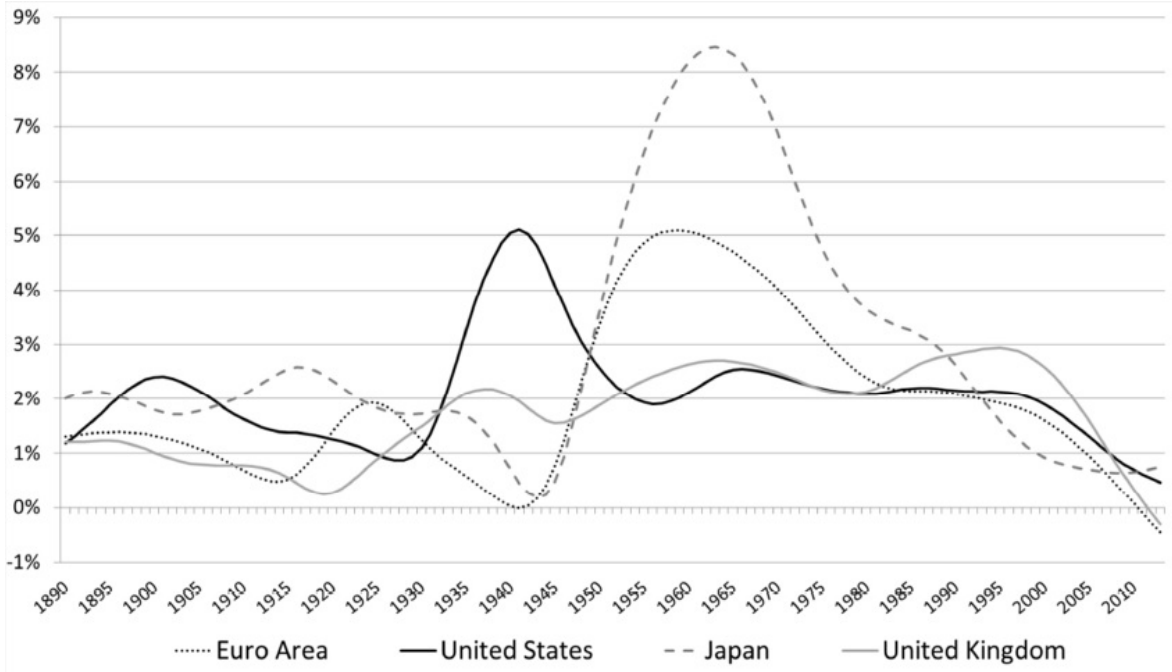
1 . This paper was initially prepared for the OECD Global Forum on Productivity meeting in Lisbon, Portugal. It has benefitted from Patrick Lenain's (OECD Economics Department) guidance and useful comments by Gary Banks (OECD Regulatory Policy Committee), Filippo Cavassini (OECD Governance Directorate), Giuseppe Nicoletti (OECD Economics Department), Fernando Filho (FGV-IBRE), and Murray Sherwin (New Zealand Productivity Commission), as well as feedback at the CEPS Ideas Lab and an OECD internal seminar. Authors' contacts: Andrea Renda, CEPS and Duke University (andrea.renda@ceps.eu); Sean Dougherty, OECD Economics Department and Governance Directorate (sean.dougherty@oecd.org).

2. www.oecd.org/global-forum-productivity/library/The-Productivity-Inclusiveness-Nexus-Preliminary.pdf.

3. www.strategie.gouv.fr/sites/strategie.gouv.fr/files/atoms/files/ns-fs-solving-productivity-february-2016.pdf

Figure 1. Productivity waves and recent slowdown, 1890-2013



Source: Banque de France (2014)

2. 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, disruptive innovation and the exit of poor performers, which very often clashes with the interests of incumbent players, who 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).

3. 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 and its institutional settings. Other important factors that further challenge policy makers include the partly demand-driven nature of the productivity slowdown, which makes traditional supply-side recipes less likely to be effective by themselves; 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. When well-designed, transparently governed and adequately staffed, such institutions can serve a key function in 'neutralising' the undue influence of vested interests in key reform areas (Banks, 2015).

4. This debate is the focus of this paper. As elaborated by Gary Banks (2015), there are a multitude of institutions directly or indirectly affecting policies impacting on 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, 2015b). As also noted by Banks (2015), 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.

5. 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 US 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 with direct knowledge. 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. The importance of these experiences is heightened by the European Council recommendation[4] that all Eurozone countries create or designate Productivity Boards by early 2018.

2. The ten surveyed institutions

6. 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[5]. However, the boundaries between these institutions are more blurred than it might seem, and the similarities within categories are also not always obvious or precise, 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[6]. In particular, in

4. www.europarl.europa.eu/RegData/etudes/ATAG/2016/574423/IPOL_ATA%282016%29574423_EN.pdf

5. See the OECD's work on centre of government institutions.

6. 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)

Mexico and Chile the institutions appear to rely on highly limited resources[7]: 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 1998 (and followed related 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[8]. 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 a set of 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 US Council of Economic Advisers, and the European Political Strategy Centre. These institutions have however different sizes, and functions, and are by no means homogenous: 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.

7. 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.

7. 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 three full-time 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

8. For example, the Norwegian Productivity Commission could not manage to involve workers' unions, who were very reluctant and opposed to the process.

Table 1. A comparison of the ten selected institutions

Institution	Type of institution	Date created	Staff	Mission	Location
Australian Productivity Commission	Standing Inquiry body	1998	163 + 12 commis-sioners	Promoting productivity-enhancing reforms	Independent, reports to Executive and 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 and public policies 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
US 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

8. 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 US Council of Economic Advisers, the

EPSC and *France Stratégie*, can more properly 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[9]. 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 bodies or organisations

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)	✓✓✓	✓✓	✓✓✓	✓	✓✓
	Own research related to:					
	US CEA	✓✓	✓✓✓	✓✓✓	✓✓	✓✓
	Mexico PC	✓✓	✓✓	✓	✓	✓✓
	Chilean PC	✓	✓✓	✓	✓✓	✓
	France Strategie	✓✓✓	✓✓✓	✓✓✓	✓	✓✓
	Irish Comp. Council	✓✓	✓	✓✓	✓✓	✓✓
	EU EPSC	✓✓	✓✓	✓✓	✓✓	✓✓
Ad Hoc Taskforces	Banks (2015)	✓✓✓	✓✓✓	✓✓✓	✓✓	✓✓
	Own research related to:					
	Norwegian PC	✓✓	✓✓	✓✓	✓✓✓	✓✓
	Danish PC	✓✓	✓✓✓	✓✓	✓✓✓	✓✓
Standing Inquiry Bodies	Banks (2015)	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓
	Own research related to:					
	Australian PC	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓
	New Zealand PC	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓

Notes: One check = weaker; two checks = moderate; three checks = stronger; the scoring by Banks (2015) is in green. The authors' assessment of the ten institutions is in blue.

Source: Authors' elaboration on Banks (2015).

9. 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.

9. 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.[10] 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.

10. 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[11]). And in most of the selected countries, central bank department bureaus and (especially in the United States and Australia) competition authorities produce influential research, which provides support to public policy in the form of evidence and influential recommendations. The role of privately funded think tanks is most apparent in Australia, France, European Union and United States.[12]

11. Furthermore, these institutions increasingly co-operate with each other**.** The Australian Productivity Commission regularly 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[13]. The US Council of Economic Advisers and *France Stratégie* cooperate in the production and analysis of productivity data[14]. 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[15]. However, the OECD Global Forum on Productivity includes all of these institutions as members of its Steering Group, among other countries.

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10. Parallel work at the OECD is currently examining aspects of other types of regulatory institutions (see OECD, 2016b; OECD, 2017).

11. www.treasury.govt.nz/regulation/stewardship.

12. See for instance, www2.jiia.or.jp/pdf/osirase/2015_Global_Go_To_Think_Tank_Index_Top_USandNonUS__.pdf.

13. www.pc.gov.au/inquiries/completed/australia-new-zealand.

14. www.strategie.gouv.fr/publications/solving-productivity-conundrum.

15. Agreement between Denmark, Iceland and Norway on co-operation in competition cases, see www.konkurransetilsynet.no/en/om-oss/nordic-co-operation2/ See more generally the OECD report on

12. 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. Such overlaps can create both opportunities and concerns from the standpoint of good governance and effective policymaking: on the one hand, the overall accountability of regulatory bodies, and the degree of predictability and legal certainty generated by public policy may be reduced by the existence of blurred lines between the competences of different bodies; on the other hand, overlapping competences could generate positive competition among public bodies, and avoid cases in which lack of resources or excessive workloads lead to neglecting specific policy problems that would require timely intervention.

2.2 A closer look at the selected bodies

13. In this section we provide a more detailed analysis of a number of features of the ten selected bodies. More details on each body and each aspect covered in the current section are available in the Annex, which also illustrates their diversity.

2.2.1 Relationship with government

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

- *Whether the body 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).[16] In our sample, the Danish, Norwegian and Chilean productivity commissions, the Mexican Productivity Committee and the Irish National Competitiveness Council are multi-stakeholder[17]; whereas the others are not. Multi-stakeholder institutions are sometimes public-private, sometimes organised to represent all relevant stakeholders.
- *Whether the body should be located inside government, or independent of government.* In our sample, as already mentioned, only the Australian, the Chilean and New Zealand Productivity Commissions are clearly independent[18]. 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. There are tradeoffs related to different levels of independence. A

International Regulatory Cooperation, www.oecd.org/gov/regulatory-policy/international-regulatory-co-operation-9789264200463-en.htm.

16. 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.

17. 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 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. The Norwegian body is considered as multi-stakeholder even though one important stakeholder, unions, were eventually not directly involved.

18. The case of Chile is hybrid as the members of the secretariat of the Productivity Commission are under the same contract as civil servants.

clear advantage is that a fully independent body can depart from the short-term "tactical" needs of government, and concentrate on broader, transformative, long-term issues that are often impossible for government bodies to fully factor into the analysis, while also being less exposed to pressure from vested interests. On the other hand, those bodies that are located inside government, and especially at the centre of government, can perform a variety of very useful functions, such as contributing to the policy process, validating the quality of economic analysis, contributing to evidence-based policymaking "from the inside".

15. Based on these two basic questions, Table 3 below shows where the bodies surveyed in this paper are positioned.

Table 3. Location and composition of selected bodies

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

Source: Authors' elaboration

2.2.2 Overall mandate and mission

16. Another key issue in the observation of existing pro-productivity institutions is related to their mandate and mission. The ten selected bodies 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[19]. 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 varies significantly across selected bodies. In addition, the scope of institutions' mandates varied considerably, with some being set up with a quite narrow topical focus, while others are much broader in scope and potential policy reach.

17. Table 4 below shows how the pro-productivity bodies surveyed in this paper are placed based on the two aspects mentioned in this section.

19. 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.

Table 4. 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 EPSC

Source: Author's elaboration

2.2.3 Legitimacy and process

18. A very important dimension in the analysis of pro-productivity institutions is their degree of legitimacy to various stakeholders. 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.

19. 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* (the United States, the European Union, France).

20. For what concerns output legitimacy, some institutions publish a wide variety of regular and occasional reports (*e.g.*, in Australia, New Zealand, United States, the European Union, 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 primarily at government

policymakers, or those of joint interest with the private sector (*e.g.*, Mexico, Chile, Norway, Denmark)[20]. In addition, the productivity commissions of Australia and New Zealand and the bodies surveyed in the United States, France, Ireland and the European Union 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 US 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.

21. 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 United States, Chile, the European Union, France, Australia); and relying on third party academics to evaluate or referee 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.

22. 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.

23. 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 (TORs) have been drafted for the institution as a whole, and were made available to the public[21]; 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.

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20. 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 recommendations have had a significant impact and there is considerable awareness of the Danish productivity problem in policy circles.

21. http://produktivitetskommissionen.dk/media/133600/Kommissoriet%20p%C3%A5%20engelsk.pdf; http://produktivitetskommisjonen.no/files/2014/02/mandat.pdf; http://www.competitiveness.ie/About-Us/NCC%20Terms%20of%20Reference/

- *On the other hand, institutions located at the centre of government often work on the basis of a specific mandate established by law of an administrative act.* This is the case for the US 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.

24. 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 was reported as potentially hampering the efficacy of the decision-making process in the Chilean National Productivity Commission[22]. 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 are 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 also surfaced in the case of more established institutions such as the Australian Productivity Commission[23].

2.2.4 Resources and skills: coping with scarcity

25. 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[24]. 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 2016 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.

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22. In the case of the US 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.

23. 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.

24. 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

- 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.[25]

26. 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?

27. Banks (2015) considers that pro-productivity institutions can be expected to be more effective when they are 'plugged in' to policy-making processes bearing on productive performance, or at least to be in a position to directly 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 United States and the EU (European Commission) have a clear advantage over others, which have experimented less with better regulation tools (OECD, 2015c, 2016a). That said, the following experiences stand out as particularly relevant:

- The US 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[26].
- *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[27].
- 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.

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25. 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. See www.gob.mx/cms/uploads/attachment/file/6672/Acta_sesion1_CNP.pdf.

26. Exec. Order No. 13,563, 3 C.F.R. 215 (2012), reprinted in 5 USC. § 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.

27. 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

- The Mexican Productivity Committee co-operates 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.

28. 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.

29. 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 the New Zealand 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

30. 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.

31. 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. Of course, the government and politicians will continue to play a key role in communicating such narratives to the public. 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 US Council of Economic Advisers during the financial crisis at the end of the last decade)[28].

- *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[29].
- *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.

32. Besides these pre-conditions, the interviewed institutions are adopting a number of strategies to keep their mission on the radar of policymakers and 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 parallel 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

33. 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. A number of these echo the more general findings of Banks (2015).

28. 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 www.whitehouse.gov/sites/default/files/docs/ERP_2016_Chapter_7.pdf.

29. See e.g. 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/

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

34. 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 US 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 almost a century-long experience involving similar statutory bodies 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).

35. 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 representatives. This can be an iterative process, as once institutions gain more legitimacy, they may be able to pursue a more ambitious approach.

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

36. 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[30].

Lesson 3. Political commitment is essential

37. 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

30. www.oecd.org/publications/oecd-regulatory-policy-outlook-2015-9789264238770-en.htm.

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[31];
- Chairing a multi-stakeholder body at the highest political level (Mexico[32]);
- Appointing highly reputed academics as in charge of leading standing inquiry bodies or advisory councils at the centre of government (United States, 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[33], Ireland);
- Involving the institution in the design and/or in the evaluation of policies (United States, France, Chile).

Lesson 4. Independence is important, although its extent can vary depending on the circumstances

38. 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 can make them potentially less independent in formulating policy recommendations, although the experience of market regulators suggests that how this reporting works in practice is critical, and other factors such as tenure, funding and transparency are at least as critical in affecting independence (Banks, 2012; OECD, 2016b; OECD, 2017). 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.

39. 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

31. 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.

32. 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.

33. 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)33.

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. At the same time, institutions should remain "plugged in" to the policymaking process, in order to enhance the possibilities that recommendations can be adopted.

40. 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.

41. 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/or *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 undermine the overall purpose of setting up a pro-productivity institution. Accordingly, sufficient independence, particularly in developing ideas and forming policy recommendations, seems to stand out as a core 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

42. The need for autonomy and independence is also reflected in the need for sufficient budget and resources to organize the institution's research work, as well as to adequately engage with stakeholders, *e.g.*, through extensive public consultation. One aspect relates to whether budgets are determined annually, or on a multi-year basis, which can help to shield the institutions from undue influence (OECD, 2014). 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[34].

43. As a consequence, it is important to point out 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, public consultation, and quality control of research methodologies and

34. 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, for instance, traveling throughout the country to meet with stakeholders.

results[35]. 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.

44. 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.

45. 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

46. Openness and transparency are increasingly important for institutions like the ones that were selected for the purposes of this paper. As discussed previously, 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*, US CEA).

47. 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. These forms of engagement might involve the use of an open government approach and open access instruments, or wiki platforms for interaction with external stakeholders (Noveck, 2015). To date, however, few of the institutions have embraced these new instruments broadly.

48. 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.

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35. For example, in Australia the Productivity Commission competes with the most highly reputed institutions (e.g. the central bank) in attracting the best graduate students; moreover, the Chairman of the Productivity Commission observed that the body is able to retain 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.

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

49. Our analysis has highlighted that all pro-productivity institutions consider long-term thinking to be their core business, although some have a stronger focus on shorter- or longer-term problems, as discussed above. The reason is that these institutions are often advising government bureaucracies, by focusing on the structural reforms that they otherwise have too little time to consider. Short-termism in government is often caused by the need to preserve political consensus, the constraints exerted by the electoral cycle, and 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.

50. However, it would be 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. Bodies can also play a useful role by "framing" short-term issues from a long-term perspective, capturing economy-wide ramifications and incorporating future social, economic and technological transitions in their analysis.

51. 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 policy making process.

Lesson 8. Pro-productivity institutions should be "plugged into" the policy process

52. 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.

53. 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 US). This already occurred in New Zealand, where the Productivity Commission completed in 2015 an in-depth Regulatory Institutions and Practices Inquiry[36].

- **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

54. This paper contains the results of a comparative 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.

55. 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, with the exception of Australia (given its long track record), it is difficult 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.*,

36. www.productivity.govt.nz/sites/default/files/regulatory-institutions-and-practices-final-report.pdf.

government effectiveness) are more correlated with growth and economic performance than most other indicators, including regulatory indicators (Han et al., 2014; Emara and Johnsa, 2014; Emara and Chiu, 2016; Balta and Mohl, 2014)[37].

56. 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, overcome 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. While not 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.

57. 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.

37. In Australia estimates have been made of the gains from reforms advocated by the Productivity Commission and adopted by government. Such gains added up to 5 per cent of GDP in the case of the 'microeconomic reform program' of the 1980s and 1990s.

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ANNEX – DESCRIPTION OF THE SURVEYED INSTITUTIONS

The Australian Productivity Commission http://pc.gov.au

1. The oldest of our surveyed institutions is the Productivity Commission in Australia (APC) which, with its predecessors the Industries Assistance Commission and Industry Commission, has existed since 1973. The Commission operates under the guidance and protection of its own legislation. It has an arm's length relationship with the government, which can tell it what to do (topics for public inquiries) but not what to say. Its role is purely advisory, with no judicial, executive or administrative functions. 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). In terms of transparency, inquiry tasks are specified in publicly available terms of reference. There is an obligation to hold public hearings and release draft reports before any recommendations to government are finalised. Also, the Commission is obliged to submit an annual report covering its operations and activities, and providing analysis of productivity related issues. All such reports, while going to government in the first instance, have to be tabled in Parliament or released publicly within defined timeframes. Economy-wide criteria: Guidelines in its legislation have required the Commission to have regard to the performance of the economy as a whole, and the interests of consumers and citizens generally (with specific dimensions being added in successive variants).

2. The Commission has generally been funded at a level sufficient to support its functions, having until recently a staff of around 200 and a substantial research capacity. It has also had control over how its budget is allocated.

3. Throughout their combined life, the Commission engaged in two primary (and related) streams of activity:

(i) *Public inquiries and studies requested by government.* these are generally reserved for policy issues that are complex and/or contentious, where there is a significant potential payoff to good policy warranting an intensive public process of investigation and review. Examples include assistance to key industries, labour market regulation, environmental controls, access to essential infrastructure, consumer protection regulation, research policy, professional services regulation, etc. Inquiries commence with Terms of Reference issued by the national government, and follow a process of discussion papers, formal public submissions and hearings or roundtable discussions. A draft report is prepared for public scrutiny, followed by a final report to government. By convention, this requires a government response (though not necessarily acceptance) and in any case must be released publicly within 25 'sitting days' of Parliament.

(ii) *Supporting research*. The ability to initiate own in-depth research has been important to the rigor, coherence and ultimate credibility of the Commission's policy analysis and advice. The Commission's research activities have included the development of analytical frameworks in key areas, and quantitative economic models in particular (Dee, 2005), as well as analysis of trends within the economy and their causes – notably in relation to productivity performance. Such research has been an input to public inquiries and has also served to inform policy makers and the public about the trade-offs in reform. In particular, research that has demonstrated large potential gains has been influential in building public support for change (Stoeckel and Corbet, 1999). A subset of this work is the development and annual reporting of benchmark indicators of the relative performance of government services across the Australian Federation (Banks and McDonald, 2012).

The Chilean Productivity Commission www.cpc.cl/eng/productivity-commission/

4. In August 2015 the Chilean President Michelle Bachelet appointed a Productivity Commission as part of the Government's Productivity, Innovation and Growth Agenda. This is an independent, permanent consultative body that advises the Government on matters relating to productivity and economic growth. The group of experts carry out analyses and make recommendations relating to the design, implementation and evaluation of policies and reforms to directly stimulate productivity in Chile. The commission may also prepare studies, publish data and information and make proposals in areas they identify as priorities. The Australian Productivity Commission served as inspiration and provides ongoing assistance to the Chilean counterpart, and even invited the latter's secretary general to spend a month at its premises. One of the differences that have been highlighted between the two institutes is the legal basis, which is considered to be weaker in Chile when compared to Australia. As a matter of fact, the Australian Productivity Commission is based on the 1998 Productivity Commission Act, whereas the Chilean institution is only rooted in a government decree, easier to modify by any new President: however, President Bachelet has recently announced that she intends to strengthen the legal basis by enacting specific legislation: this was reportedly invoked by the private sector, which considers the creation of the Productivity Commission as a promising initiative.

5. The first steps in the life of the Chilean Productivity Commission have required important choice as regards the attitude that the Commission should adopt vis à vis government decisions. So far, rather than an adversarial gatekeeper, the Commission appears to be playing the role of a useful advisory body with a mandate to advocate needed reforms, with a broad focus on productivity. This can also be explained by looking at the governance of the Commission: a board composed by eight members must vote on all decisions and thus inevitably curbs the independence of the research carried out by the secretariat, which consists of only six economists, with very limited administrative staff.

6. In April 2016, the National Productivity Commission presented a first report on productivity with 21 measures, of which 14 are of specific topics and 7 are structural. A very important proposal, first in the list and the only one likely to be carried forward by the President, is that all new proposed legislation be explicitly accompanied by an assessment of the prospective impact on productivity. This proposal would lead to bridging the work of the productivity commission to the better regulation agenda of the Chilean government, which is currently being reconsidered after the OECD's regulatory review of the Chilean government in April 2016. The President of the CNP added that the impact on productivity should be measured, but there is no intention of transforming productivity into the only priority of government: if legislation is passed for other purposes, any collateral negative impact on productivity should at least be known.

7. The 14 recommendations on specific topics are grouped into three categories: (i) proposals on improving the efficiency of the public sector, including the simplification and streamlining of procedures and regulations; (ii) policies to promote competition, for example in the field of notary procedures and Real Estate procedures, and in maritime cabotage by foreign ships; (iii) policies related to human capital, entrepreneurship and innovation.

The Danish Productivity Commission http://produktivitetskommissionen.dk

8. Denmark has a tradition of establishing ad hoc councils with a mandate to focus on specific problems of the economy. Already in April 2005, for example, the Danish Government set up a Globalisation Council to advise the Government on a strategy for Denmark in the global economy. The establishment of the Council was motivated by a sense that the global economy was changing in ways that had important implications for Denmark, and that Denmark needed to develop a view on how best to

respond. The Council was composed of representatives of trade unions, industrial organisations, companies, the education and research community, and the Government. The Council was chaired by the Prime Minister, and included several senior Ministers.

9. The Danish Productivity Commission, established in early 2012, comprises a group of senior representatives of business and academia, with its own secretariat. It was established by the government with a broad mandate to analyse the causes of poor productivity performance in that country and to make recommendations to improve it, both in the public and private sectors. It was required to consult widely and issue interim papers for public discussion. Its first report was broad in scope, with subsequent ones tackling particular areas seen as key to raising productivity, including a final major report in late 2013 on the tertiary education sector. The Commission's reports have been influential. Its findings and recommendations continue to be widely debated and discussed in Denmark, as well as in other Scandinavian countries facing similar issues.

10. The premises of the creation of this Commission are clear: the Danish economy is facing a major growth challenge. The Danish government argued that Denmark has lost ground relative to the wealthiest OECD countries after the end of the 1990s, and explicitly mentioned the United States, Sweden, the Netherlands, Germany and the United Kingdom as countries that have had a stronger productivity growth compared to Denmark since the mid-1990s. Given the risk that Denmark could trail further behind other wealthy countries if the weak productivity trend continued, the government decided to set up a productivity commission with independent experts and specialists to analyse the Danish productivity trends and come up with specific recommendations that can enhance productivity in Denmark's private and public sector in the coming years.

11. The Danish Productivity Commission is thus a one-off Task Force tasked with the mission of inquiring on the causes of the productivity slowdown in Denmark, and formulate policy recommendations with the aim to revive productivity. More in detail, the Commission was made responsible for the following: (i) identifying the reasons for the relatively weak productivity growth since the mid-1990s in Denmark; (ii) identifying the main drivers and barriers for productivity growth, including firms' use of knowledge and education, as well as the allocation of these resources in the economy; (iii) clarifying the link between business productivity, costs and competitiveness; (iv) making concrete recommendations to strengthen productivity in the private sector, including in the manufacturing, construction and service sectors; (v) providing new knowledge about productivity in the public sector and making specific recommendations on how to strengthen it, including the municipalities, regions and the state; and finally (vi) providing an assessment of the impact of the above recommendations and incorporate relevant international experience.

12. Importantly, the Commission was also given a budget sustainability constraint to be respected when proposing reforms: the complete set of proposals must not impair the structural balance in 2020 or the sustainability of public finances. To the extent that the recommendations cause additional costs for the public sector, the commission shall identify cost reductions to cover the financing. The commission shall be composed of a chairman and a number of members. The commission was also asked to involve relevant experts from the European Commission, OECD, etc.

13. In terms of transparency, the government required that the commission work openly to ensure an on-going debate on the commission's work and topics. The commission therefore published interim reports during its lifespan, including in 2012.

14. The Productivity Commission was set up as independent, and served by an independent secretariat. The Commission could request external assessments to the extent that it deemed necessary. The Commission's first report found, *inter alia*, that if productivity had been the same as Sweden's since 1996,

the average Danish would be earning 20 percent more without any effect on Denmark's competitiveness. That would have also increased public income considerably. In addition, the government would have had enough money to offer free public transport or hire twice the number of public school teachers in grades 1-5. In its latest reports, the Danish Productivity Commission pointed out that weak competition, in particular in services oriented to the domestic market, tends to lead to insufficient business dynamics. Businesses characterised by low productivity remain in markets where they would otherwise have been forced out by new and better competitors. The latter find it difficult or impossible to gain market share because of stiff barriers to entry and the dominant position of incumbents. A recent study has found that as many as one in 10 Danish companies are currently kept artificially alive by low interest rates. In fact, they are in such poor financial condition that they would already have been forced out of the market by competitors, had competition been stronger. Sectors in which such companies are particularly overrepresented include: distributive trade and transportation, construction and business services. These sectors are all characterised by a low level of foreign competition due to limited scope for cross-border exchanges.

15. Moreover, the Productivity Commission highlighted the challenge of better translating the significant public investment in research into productivity. Following on from this, a government report published in October 2014 made several recommendations. These include adjusting the criteria for allocating basic research funding, setting goals for knowledge exchange in the triennial university-government contracts, improving recognition and promotion of researchers engaging in knowledge exchange, more student involvement in knowledge transfer activities, and an increasing 'proof of concept' funding.

The European Political Strategy Centre and the ESPAS process http://ec.europa.eu/epsc/home_en

16. Created by President Juncker, the European Political Strategy Centre (EPSC) replaced the previous Bureau of Economic Policy Advisors (BEPA) as a think tank located inside the European Commission. This function inside the Commission indeed dates back to the Foresight Unit created in 1989, and then renamed GOPA by the Prodi Commission, and BEPA by the Barroso Commission. ESPC reports directly to the President and operates under his authority. It is composed of a professional staff of advisers, policy analysts and support staff with appropriate experience and track record, in order to provide professional and targeted policy advice to the President and the College. EPSC provides strategic analysis and policy advice for the President on matters related to the policy priorities (as defined by the President in his political guidelines presented to the European parliament on July 15 2014), and outreach to decision-makers, think tanks and civil society at large. It provides support to the President also on concrete initiatives, as well as policy advice of more long-term nature.

17. In its first months of existence, the EPSC has already featured very interesting characteristics, which place it more in line with the US Council of Economic Advisers than to the Australian Productivity Commission and other similar institutions surveyed in this report. First, the EPSC has no direct responsibility for policymaking, and is largely in charge of advising the President on specific priorities. At the same time, it is focused at least partly on the long term, and it takes a broad view on the future of the European Economy, with no specific emphasis on productivity: its mandate largely encompasses economic, social and environmental dimensions of EU policy, and related challenges for the future. The EPSC also operates through a number of publications, such as "Strategic Notes" that are drafted in very accessible format.

18. The EPSC is part of a broader, inter-institutional network that looks at long-term policy in the EU. The European Strategy and Policy Analysis System (ESPAS) provides a framework for cooperation and consultation at administrative level, on a voluntary basis, between the European Parliament, the European Commission, the Council of the European Union, and the European External Action Service,

with the Committee of the Regions and the European Economic and Social Committee as observers, to work together on medium- and long-term trends facing or relating to the European Union. The objectives of the ESPAS process, as defined in the 2010 and 2012 EU Budgets, are to: provide an inter-institutional system for identifying these trends, and to provide common analyses of probable outcomes on major issues for policy-makers; promote closer working cooperation between the services of the various EU institutions and bodies which are devoted to the analysis of these trends; provide regular input to the EU institutions to nourish strategic thinking, including reaching out to academics, think tanks and other stake-holders to provide a broad perspective; develop links with other countries and organisations undertaking global trends work, in order to benefit from their expertise, as well as providing its own expertise to other countries seeking to follow strategic trends and changes; and build and maintain an open website and a 'global repository' for all relevant information to facilitate access to citizens, linking the site to other working websites on long-term trends across the globe. The ESPAS project delivered in March 2015 a synthesis report completed in December 2014, *Global Trends to 2030: can the EU meet the challenges ahead?*, which report builds on an initial scene-setting report by the European Union Institute for Security Studies (EUISS) of spring 2012 and three preliminary trend reports in the fields of economics, society and geopolitics, completed in 2013 by independent leading think-tanks and supervised by three inter-institutional working groups. An on-line open library on long-term trends publications called ORBIS has been created, alongside the development of a network of experts on long-term trends within and beyond the Union.

19. The on-going operation of the ESPAS process was assessed to be a success in a European Parliament resolution on the subject adopted in October 2013. The Parliament underlined 'the importance of continuing the process of developing an effective capacity for the provision of independent, high-quality inter-institutional analysis and advice on key trends confronting policy-makers within the EU system' and 'strongly recommend[ed] that this process continue after the expiry of the current preparatory action' at the end of 2014, on the basis that would 'involve staff from all the relevant EU institutions and bodies'.

20. On the basis of the experience of positive cooperation established between administrations during the Pilot Project and Preparatory Action over 2010-14, the ESPAS process is now coordinated by a steering group, encompassing senior officials from the participating EU institutions or bodies, chaired by the Head of the European Political Strategy Centre (EPSC) in the European Commission. The secretariat of the network is provided by the European Parliament and the ESPAS project team implements the guidelines decided by the steering group.

21. To give the ESPAS foresight process fresh input, we are developing a programme for young officials in the EU institutions – The Young Talent Network – providing a platform for cultivating foresight capabilities in future policy-makers.

22. Under the guidance of the inter-institutional ESPAS steering group, the ESPAS network will continuously update the ESPAS knowledge base on key long-term trends, with particular emphasis on unexpected trends or strongly revised assessments.

France Stratégie **www.strategie.gouv.fr**

23. France has gone through several generations of planning commissions, at least since the Liberation of the country in 1944. Then, the desire to restructure the French economy on new bases lead to an initiative by Jean Monnet, who presented a comprehensive project to General de Gaulle. The plan was accompanied by the country's reconstruction effort after the war, but on the basis of a so-called planning "indicative", to be distinguished from the "effective" planning in the former Soviet Socialist planned economies. The *Commissariat General du Plan* was then created in 1946, with Jean Monnet as its first

Commissioner. The agency, initially the French hub for the Marshall Plan, played a key role in the post-WWII modernisation of the country, and was based on ongoing consultation with the social partners. In the 1960s, a Planning Commission was established as instrument of technological modernization of the French economy, expressed by the launch of major industrial projects. Since the early 1990s there were calls to modernize this institution, which culminated in the creation of a Centre for Strategic Analysis in March 2006 by Prime Minister Villepin: this marked the transformation of the planning commission into a "think tank" very close to the Prime Minister. In April 2013 the General Commission for the strategy and foresight**,** France Stratégie, replaced the previous centre with an expanded scope.

24. In terms of scope, France Stratégie has a mandate to assist the Government in all its economic, social and environmental strategic decisions[38]. France Stratégie is a policy planning agency of the French government, reporting to the Prime Minister. Its mission is to propose medium-term-oriented assessments of the French economy and economic policies; to conduct evaluations of the effectiveness and efficiency of current policies; to foster informal discussion of policy option between social partners and within the civil society; and to prepare policy proposals. It is, as a result, a mixture between a medium- to long-term policy design body and a regulatory oversight body, in charge of evaluating existing policies. This makes it a different body compared to the Productivity Commissions established in Australia, New Zealand and Chile.

25. For what concerns staff and competences, France Stratégie relies on a team of permanent experts which is structured along four primary analytical divisions: Economics and Finance, Sustainable Development, Labour and Employment, Social Policy and Institutions. France Stratégie has an in-house team of scholars that includes experts with a solid background in research and public policies, and is headed by a world-renown scholar (until recently, Jean Pisani-Ferry).

26. In terms of influence, France Stratégie is entirely "plugged into" the policy process and the political decision-making arena, since it shares its expertise with the government, the Parliament, regional authorities, and the general public by issuing policy papers and ongoing consultations. Its function is being further strengthened following the European Council's 2016 recommendation that all Eurozone countries create or designate Productivity Boards.

27. In order to enrich the collective debate and to create a stimulating environment, France Stratégie closely collaborates with a network of International Organizations, Universities, think-tanks, and a wide-range of civilian stakeholders. France Stratégie also coordinates eight organizations: the Council of Economic Analysis (CAE), the Board of the Pensions (COR), the Policy Board for Employment (COE), the High Council of Family (HCF), the High Council for the future of health insurance (HCAAM), the High Council of the financing of social protection (HCFI-PS), the National Council of industry (CNI) and the Centre prospective studies and international information (CEPII). France Stratégie has the obligation to elaborate an annual report for the President of the Republic, the Prime Minister and Parliament. In addition, every report and opinion is published.

28. More in detail, the work of France Stratégie is structured around four main types of deliverables:

1. Provide an independent evaluation of public policies;

2. Anticipate future changes in French society regarding economy, society, sustainable development or technology and analyse the issues they raise in the medium term in order to prepare the conditions for political decision;

38 . For more information: http://lc.cx/ZN8Y

3. Foster a dialogue between the social partners, civil society, business, the community of experts and academia;

4. Propose policies and reforms and provide orientation to the government, highlighting possible trade-offs, and foreign experiences.

29. In summary, France Stratégie is best described as an independent reflection body located at the centre of government. It is not a productivity-focused body, even if it does deal with productivity whenever appropriate, but it is way more focused on a multi-dimensional approach to growth and sustainable development, encompassing a wide range of economic, social and environmental issues. Its legitimacy is not questioned, given its level of institutional embeddedness; however, its output legitimacy depends very much on the accuracy of the data and analyses it produces. Its location at the centre of government has elicited critiques related to its real independence, and commentators have at times questioned the accuracy and unbiased nature of its predictions.

30. The annual work program of France Stratégie is defined by the Prime Minister in consultation with the chairmen of the National Assembly and the Senate, as well as with unions and employers. France Stratégie assists policy in identifying the broad guidelines for the future of the nation and in the medium and long term objectives of its economic, social, cultural and environmental, as well as the preparation of reforms.

31. France Stratégie periodically publishes reports on a variety of subjects. Examples include a study on investments in France and Europe since 2007; a note proposing indicators measuring the quality of growth; Proposals on effective teaching practices; the role of hydrogen and its alternatives in the energy transition; a comparison of public expenditure in Europe; and many others. These analytical notes are relatively short (up to 15 pages) and extensively quote international sources.

32. In terms of structure, the General Commissioner is appointed by Order in the Council of Ministers. Since May 2013 and until recently, this was Jean Pisani-Ferry. There is a Deputy Commissioner also appointed by the Council of Ministers (Selma Mahfouz since November 2013); and Secretary General (Didier Millot) and a Special Advisor (Hervé Monange). Outside the cross-cutting services (Directorate General, General Secretariat, communications and others), France Strategy structured its activities around four main departments each consisting of ten assignments:

- Sustainable development
- Economy / Finance
- Labour / Employment
- Social issues.

33. The level of qualification of the staff is very high, with more than one third of staff coming from top French universities and a significant presence of PhDs.

34. For what concerns outreach, France Strategy makes extensive use of modern means of communication. They are thus very active on Twitter (@Strategie_Gouv) and their website (www.strategie.gouv.fr) puts forward widely the news of the country on a variety of subjects. However, the extent to which government and other institutions mention France Stratégie is still quite limited. And the participation of the general public to the events and seminars organized by France Stratégie is still low. More generally, one of the problems that might affect the effectiveness of the work of a reflection body like France Stratégie is that France, unlike Australia, does not have a very well developed agenda on regulatory governance and better regulation.

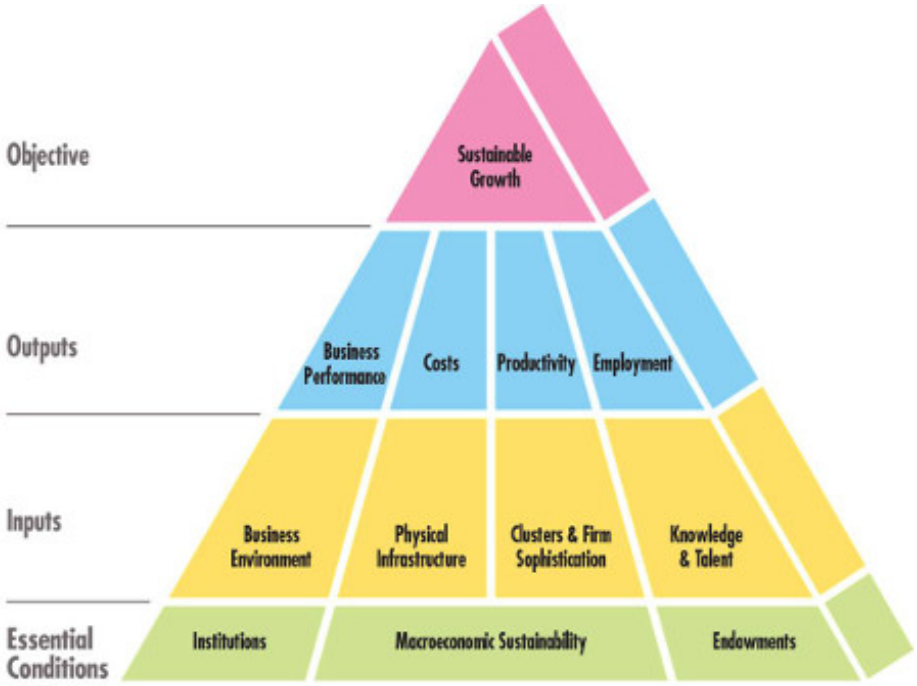
The Irish National Competitiveness Council www.competitiveness.ie

35. The National Competitiveness Council (NCC) was established by Government in 1997 as part of the Partnership 2000 Agreement. It reports to the Taoiseach and the Government, through the Minister for Jobs, Enterprise and Innovation, on key competitiveness issues facing the Irish economy and offers recommendations on policy actions required to enhance Ireland's competitive position. The Strategic Policy Division of the Department of Jobs, Enterprise and Innovation provides the Council with research and secretariat support. The NCC takes a broad definition of competitiveness: "*Competitiveness refers to the ability of firms to compete in markets. Ireland's national competitiveness refers to the ability of the enterprise base in Ireland to compete in international markets*". National competitiveness is thus a broad concept that encompasses a diverse range of factors and policy inputs including education and training, entrepreneurship and innovation, Ireland's economic and technological infrastructure and the taxation and regulatory framework.

36. For the NCC, the goal of national competitiveness is to provide Ireland's people with the opportunity to improve their living standards and quality of life. Improving living standards depends on, amongst other things, raising incomes and providing employment. To raise incomes and grow employment, productivity gains are necessary but in an economy with a small domestic market, this requires a healthy exporting sector to achieve economies of scale necessary for productivity gains. For a vibrant exporting sector, Ireland must maintain its national competitiveness.

37. The NCC uses a framework model to understand national competitiveness. It distinguishes between the 'inputs' to national competitiveness – over which policymakers can have greatest control – and the essential conditions for national competitiveness. The "Competitiveness Pyramid" illustrates the framework model used by the National Competitiveness Council.

Figure A1. The NCC's framework model and "Competitiveness Pyramid"



Source: Ireland National Competitiveness Council (NCC), www.competitiveness.ie/About-Us/Our-Work/

38. The 'inputs' (the bottom row of the competitiveness pyramid) represent the foundation stones of the economy and are the primary drivers of competitiveness. The NCC believes that it is within these particular areas that policymakers can have the greatest impact on competitiveness. It is very important to measure Ireland's competitiveness at the input level and then benchmark it in relation to Ireland's economic peer group. This allows policymakers to identify weaknesses and opportunities and thus design specific policies to address these concerns.

39. The second stage of the competitiveness pyramid is the 'essential conditions' stage. If the inputs are in line with best practice, this should be reflected in the metrics assessing the essential conditions for Ireland's continued sustainable growth.

40. The NCC's goal of promoting Ireland's national competitiveness is to achieve 'sustainable growth' and to further improve the quality of life for people in Ireland. To assess Ireland's quality of life, a range of national performance indicators are examined. The NCC believes that these indicators are not directly within the control of policymakers, but that Ireland's performance in these areas are directly related to the quality of previous policies instituted at the input level. Competitive gains at the lower levels of the pyramid allow growth potential to be maximised at the apex, whilst providing suitable conditions for sustainable development.

41. For what concerns outputs, each year the NCC publishes a report benchmarking Ireland's competitiveness performance. The Competitiveness Scorecard provides a comprehensive assessment of Ireland's competitiveness performance, using a range of statistical indicators drawn from data sources such as the OECD, Eurostat, the CSO and others. The Council also publishes Ireland's Competitiveness Challenge. The Competitiveness Challenge report focuses on the national competitiveness issues of most importance to the enterprise sector over the medium term and identifies policy recommendations required to address these issues. Ireland's Competitiveness Challenge builds on the data published in Ireland's Competitiveness Scorecard. Over recent years, a report benchmarking the Costs of Doing Business in Ireland has become a regular feature of the Council's annual output, as has an annual Submission to the Action Plan for Jobs, which focuses on actions to enhance competitiveness in the short term.

42. In addition, the NCC publishes a range of other papers, submissions and reports on a variety of issues of importance to Ireland's competitiveness. For example, NCC Competitiveness Bulletins focus on individual topics and highlight issues of concern to the Council, setting out briefly why a particular issue is of concern, and providing a summary of actions designed to enhance Ireland's competitiveness.

43. The current Terms of Reference of the NCC were revised and updated in October 2013. Under these terms, the Council shall be responsible for the management and direction of its own work programme. The functions of the Council are to prepare and submit to the Taoiseach and the Government, through the Minister for Jobs, Enterprise and Innovation:

(i) an annual report benchmarking the competitiveness of Ireland's business sector against international peer countries, and

(ii) an annual report outlining the main competitiveness challenges facing the business sector in Ireland over the medium term, and the policy responses required to meet them.

44. Both reports shall be published following their noting by Government.

(iii) To prepare and publish such other reports on competitiveness issues as the Council considers appropriate, with recommendations on measures required to improve competitiveness. The Minister for Jobs, Enterprise and Innovation shall be apprised of these reports prior to their publication.

(iv) To undertake from time to time such other functions as the Minister for Jobs, Enterprise and Innovation may direct.

45. The membership of the Council consists of persons with relevant expertise in competitiveness; a range of people with business experience; representatives of employer and employee bodies; a representative of the Department of Jobs, Enterprise and Innovation.

46. Council members are appointed by the Minister for Jobs, Enterprise and Innovation, who also appoints a Chairperson from amongst the members. The Minister shall have regard to maintaining appropriate gender balance in the composition of the Council. The number of members is at the discretion of the Minister: currently there are 12 Members, backed by a Secretariat of 5 (provided by the Strategic Policy Division in the Department of Jobs, Enterprise and Innovation) and 9 nominated advisors from government. The Council may invite additional representatives of Government Departments and Agencies to attend Council meetings in an advisory capacity where appropriate.

47. Subject to the requirements of this Section, the Council shall regulate its own procedures. The quorum for a meeting of the Council shall be not less than five members present. The Council will seek to reach decisions by consensus. Where this is not possible, decisions shall be determined by a simple majority of votes of the members present and, in the event that voting is equally divided, the Chairperson shall have a casting vote. Views expressed by the Council in its publications or by individual Members of the Council speaking on its behalf, shall not necessarily represent the views of the Minister for Jobs, Enterprise and Innovation or any Member of the Government.

The New Zealand Productivity Commission www.productivity.govt.nz

48. New Zealand established its own Productivity Commission in 2010, based closely on the Australian model (NZPC, 2010, 2014). The Commission began operating in April 2011 as an independent crown entity whose principal purpose is "to provide advice to the Government on improving productivity in a way that is directed to supporting the overall well-being of New Zealanders, having regard to a wide range of communities of interest and population groups in New Zealand society." This reveals the broad scope adopted by the Productivity Commission, which does not stick to productivity *per se* but goes beyond into policies aimed at fostering the standards of living and even the happiness of New Zealanders. A clear proof of this broader scope of activity is provided by the latest publication on recent evidence on subjective well-being in New Zealand. The Productivity Commission further clarifies that its work is largely at what it calls the 'framework level', *i.e.* "considering whether laws, policies, regulations and institutions best support the well-being of New Zealanders". This, as acknowledged by the Commission itself, is different to workplace or individual productivity, "which, given our name, some assume (understandably but incorrectly) is our focus".

49. To fulfil its purpose, the New Zealand Productivity Commission performs three types of activities:

- In-depth inquiries on topics referred to the Commission by the Government, which represents the Commission's core business. Inquiries account for 87% of the overall budget. Current inquiries are related to models of tertiary education and urban planning. To date the PC already completed inquiries on Using land for housing (October 2015); More effective social services (September 2015); Regulatory institutions and practices (July 2014); Boosting productivity in the services sector (June 2014); Opportunities to improve regulatory performance in local government (May 2013); The impacts and benefits of further economic integration between Australia and New Zealand (November 2012); Housing affordability (April 2012); International freight transport services (April 2012).

- Productivity-related research that assists improvement in productivity over time. This, along with Working Papers, includes also the so-called Productivity Hub, a partnership of agencies which aims to improve how policy can contribute to the productivity performance of the New Zealand economy and the well-being of New Zealanders, and which includes representatives from the Productivity Commission, the Ministry of Business, Innovation and Employment, Statistics New Zealand and the Treasury, plus several other agencies and non-government groups.

- Promotion of the understanding of productivity issues, including through extensive use of social media, blogs and stakeholder consultation on a number of policy-relevant issues that broadly related to productivity.

50. The Productivity Commission is a smaller organization compared to its Australian homologous, and features a relatively high degree of transparency during the whole enquiry process. The Board comprises three Commissioners, with scope to move to four members over time at the discretion of the Minister of Finance. The Commission has around 15 staff, with scope to grow to 20 depending on what they determine the best mix is of permanent roles, contractors, consultants and secondments. Nearly all of the staff is focused on core operational work, given many of the Commission's corporate services are provided under contract by Inland Revenue.

51. However, its performance is constantly subject to evaluation through self-assessments contained in the annual report, and third party evaluations outsourced to highly reputed academics, and focused on individual publications or reports. In addition, the Commission published a Statement of Expected performance, and carries out focus groups aimed at evaluating the process and results of the Commission's reports.

52. Just like the Australian Productivity Commission, the New Zealand Productivity Commission can be defined as a long-term public policy design body: among its aims is that of improving laws, regulations, institutions and policies of the country, and this implies a clear relationship with the policy process, even if the Productivity Commission is independent of government. The overlap of competences recently became clear when the Productivity Commission vibrantly criticised New Zealand's regulatory system, saying it is inflexible and inconsistent and lacks skilled staff. In a draft report looking into everything from the Resource Management Act to food standards, the commission says law-makers need to allow more leeway when they introduce regulatory legislation so that regulators don't end up simply ticking boxes. The overall problem detected is lack of flexibility in particular when it comes to the excess detail put in primary legislation, which gives Parliament a high degree of control, but makes it very difficult for frontline legislators to respond to changing circumstances. The Productivity Commission also highlighted the lack of evaluation of the performance of regulatory bodies.

The Mexican Productivity Committee www.gob.mx/productividad/articulos/comite-nacional-de-productividad-cnp

53. The National Productivity Committee is an administrative body of the Mexican federal government under the federal executive, and it is an advisory and auxiliary body on productivity and employment. It was created by presidential decree and installed by President Enrique Peña Nieto on 27 May 2013. Mexico's Federal Labour Law Reform, published on 30 November 2012 (articles 153-K and 153-L) called for the establishment of a "National Productivity Committee", as a joint obligation of the Ministry of Labour and Social Welfare and the Ministry of Economy, and to be made up of employers, worker unions and academia as an Advisory Federal Executive organ. Article 153-L called on the federal executive to define the basis for its establishment and operation.

54. The Committee is responsible for the following functions:

- Make national and international diagnoses needed to raise productivity and competitiveness in different sectors of the economy and branches of production, promote training and investment in equipment and industrial organisation required to increase productivity, propose plans for linking wages to the qualifications and skills acquired by workers, as well as analyse the evolution of firm productivity based on the best technological and organisational practices taking into account firms' varying degrees of development;
- Collaborate in the development and updating of the National Occupations Catalogue and studies on the characteristics of technology, machinery and equipment supply and use, as well as worker skills required in the activities related to industrial branches or services;
- Suggest technology and work organisation practices that increase productivity depending on the alternative best practices and in line with the level of development of enterprises;
- Make recommendations for plans and training programs and training to raise productivity;
- Study mechanisms and new forms of remuneration that link wages and workers' incomes to productivity gains;
- To assess the effects of training activities and training on productivity within industries or activities concerned;
- Propose to the Ministry of Labour and Social Welfare the issuing of technical standards for workers' skills and, where appropriate, procedures for evaluation, accreditation and certification, of those productive activities for which there are no existing standards;
- Develop and implement programs referred to in the preceding article;
- Participate in the development of the National Development Plan;
- Express opinions and suggest the destination and use of budgetary resources aimed at increasing productivity.

55. The Productivity Committee is composed of 21 members representing the interests of the government, employers, worker unions, workers and academic institutions, as follows: the Ministry of Finance and Public Credit; the Ministry of Economy; the Ministry of Public Education; the Ministry of Labour and Social Welfare; the Director General of the National Council for Science and Technology; five representatives of business organizations; five leaders of workers' unions; four representatives of higher education institutions; a representative from an institution of higher technical education, and a representative from an institution for job training and worker certification. The Committee has selected five key topics and created five subcommittees that have since then been its basic functioning device. Recommendations have to be approved by subcommittees before proceeding to the Committee.

56. Recently, a new law has reformed the role of the Committee, making its recommendations binding for the public sector. The President became honorary president of the Committee. Topics and recommendations so far have focused on the executive, not on primary legislation: the latter entered the scope of the work of the Committee only in August 2016, when a study on the state of university education and research was presented, with possible implications for the related legal framework. Also according to the new law, the Committee works along three strategies: a cross-cutting strategy, with topics aligned to the subcommittees, sectorially (where eight sectors were selected to promote a structural change towards higher productivity activities) and a regional strategy, through which complementary policies will be designed, aiming to promote the inclusion of local workers and firms in the development of the Special Economic Zones.

The Norwegian Productivity Commission http://produktivitetskommisjonen.no

57. The Norwegian Productivity Commission was set up by the Norwegian Government in 2014 in response to a perceived need to reverse the slowing of productivity growth relative to labour costs. It is funded by the Finance Department and has a secretariat drawn from various ministries. It was inspired by the Danish equivalent, and the chair of Denmark's body was also appointed to the Commission, which is chaired by a respected Norwegian academic economist. Its work is to occur in two phases. The first, reflected in a report that was released in February 2015, involved a detailed analysis of Norway's productivity performance and contributors to its relative decline. The second, current phase is focussing on more specific policy actions. The Commission is required to consult publicly and has been given a year to complete each phase of its work.

58. The Commission has observed that the advancement of the Norwegian knowledge economy may require better and more relevant education and research establishments, as well as improved links between academic circles and industry (businesses, capital markets and owners). This should be supported by the range of available policy tools. The Commission is in the second phase of placing a special emphasis on interactions between activities in the education and/or research system, with private industry activities.

This is, in the wider sense, about the development of the future Norwegian knowledge economy. It will also have implications for, and be related to, what happens in the labour market.

59. The Commission also argued that the inclusion of groups remaining outside the labour market represents one of the key economic challenges for Norway. It is of the utmost importance, in a situation where the Norwegian economy is facing extensive restructuring, to prevent large employee groups from dropping out of the labour market as a result of such restructuring. These problems are aggravated by the high incidence of dropouts from vocational education and the fragmented follow-up caused by the current division of responsibilities between local government, regional government and central government. There is a need to analyse which working life and social security mechanisms serve to keep such a large number of people outside the labour market. The risk that the polarisation tendencies in the labour market will create mounting problems for intermediate groups will also be analysed.

60. The Commission is also focusing on the far-reaching role of the public sector in the Norwegian economy, which motivates further analysis of decision-making structures and organization.

The second phase analysis is focusing on two main areas:

i. Governance, objectives and management, including the relationship between politics and administration.

ii. Improved use of technology, including the interaction between public and private entities.

The US Council of Economic Advisers www.whitehouse.gov/administration/eop/cea

61. Compared to most of the other institutions described in this report, the US Council of Economic Advisers features significant differences. The Council was established by Congress in the Employment Act of 1946. Located in the Executive Office of the President, the Council is composed of three members appointed by the President, by and with the advice and consent of the Senate: Commissioners are persons who, as a result of their training, experience, and attainments, are exceptionally qualified to analyse and interpret economic developments, to appraise programs and activities of the Government, and to formulate and recommend national economic policy to promote employment, production, and purchasing power under free competitive enterprise. The President designates one of the members of the Council as Chairman.

62. The duties and functions of the Council are specified as follows:

1. To assist and advise the President in the preparation of the Economic Report;
2. To gather timely and authoritative information concerning economic developments and economic trends, both current and prospective, to analyse and interpret such information for the purpose of determining whether such developments and trends are interfering, or are likely to interfere, with the achievement of such policy, and to compile and submit to the President studies relating to such developments and trends;
3. To appraise the various programs and activities of the Federal for the purpose of determining the extent to which such programs and activities are contributing, and the extent to which they are not contributing, to the achievement of such policy, and to make recommendations to the President with respect thereto;
4. To develop and recommend to the President national economic policies to foster and promote free competitive enterprise, to avoid economic fluctuations or to diminish the effects thereof, and to maintain employment, production, and purchasing power;
5. To make and furnish such studies, reports thereon, and recommendations with respect to matters of Federal economic policy and legislation as the President may request.

63. The Council is charged with offering the President objective economic advice on the formulation of both domestic and international economic policy. The Council bases its recommendations and analysis on economic research and empirical evidence, using the best data available to support the President in setting US economic policy. The members of the Council in 2016 were Jason Furman, who served as chair, Sandra Black and Jay Shambaugh.

64. The Council appears as a purely advisory body, born in controversy over economic philosophy in the Truman years. There have been tensions about whether the Council's role is to advise the president or advocate the president's policies. Bill Nordhaus once said that "the job of a good CEA member was like that of a good gardener; 10 percent planting seeds, 90 percent pulling weeds"[39]. The Council has traditionally been composed by truly independent academics, and the selection procedure has been focused on excellence, intense commitment, and the ability to provide fresh thinking. Most of the CEA members and chairs are on sabbatical, and do not provide a bureaucratic or institutionally self-serving response.

65. For the purposes of this report, perhaps the most important feature of the Council is that it is the entity in the White House that is responsible for coordinating economic policy. However, the latest economic report of the President observes that "CEA's limited staff and resources, combined with the academic background of most of its staff, render it poorly equipped to serve as a policy coordinating body". In addition, CEA operates with no specific relation to other institutions: the Council mostly advises the President, and as such it has no well-structured hierarchical chain of command to respect. As noted in the latest report of the Council, its "lack of regulatory authority and its few operational responsibilities mean that its influence depends largely on its relationship with the President and the rest of the Executive Branch. In addition, its position in the Executive Office of the President also allows it to take a broader perspective on economic policy and place less weight on the day-to-day exigencies of running the Federal Government. For example, its influence appeared very strong, even if behind the curtains, when it came to crafting a response to the oil shock of 1973-1974, and mounting concerns about inflation, which also led to important new features in the US better regulation agenda such as the introduction of the Inflation Impact Assessment in the same year.

39. http://www.brookings.edu/~/media/events/2016/02/11-cea-70-anniversary/20160211_economic_advisers_transcript.pdf

66. Even if most of the output of the Council is informal and occurs behind the curtains, the Council also reports to the President in a public and transparent basis on a yearly basis. The Economic Report of the President, released yearly, contains the annual report of the Council. There, important observations are made on the role of the Council and its evolution over the past decades. The growing role of microeconomic issues, and the coverage of important aspects such as rising inequality and lack of economic opportunities for certain social groups, are evident from the annual report. All in all, the Council is best described as "a small organization with no regulatory authority of its own, few direct operational responsibilities, and populated by academic economists. Yet its contributions are also dependent on the ability of its staff to balance operating effectively in a necessarily political environment without being overly influenced by politics, and to be effective in advocating for their positions while providing objective economic advice"[40].

67. The Council has recently expanded its outreach activities in the name of enhanced transparency: a very active blog, an intense involvement of the Chairman in public events, a remarkable production of reports and fact sheets, and a monthly report with economic indicators. Today, the Council can count on a staff of 33 people, of which 7 are administrative, (including the Chief of Staff), 3 are Directors (the Director of Macroeconomic Policy, the Director of Statistical Analysis, and the Chief Economist), 8 are senior economists, 6 are policy analysis and staff economists, 5 are research economists, 2 are statisticians and 2 are research assistants. One often quoted weakness of the Council, which could also be counted as strength, is the limited duration of the staff and members, which could create problems mostly for the CEA's interlocutors in side government, who tend to be in office for longer periods. Academics typically serve for only one or two years (except for the very valuable long-term statistical staff), and this could hamper their role since they take time to familiarize with the broader political context and overall decision-making procedures and constraints, although during the interview conducted with a member of the CEA this aspect did not emerge as a major problem in the daily operation of the Council.

68. Interestingly, and despite specific administrative rules in this respect, the CEA seems to be significantly plugged into the policy development and regulatory scrutiny phases of the US government. Very often the CEA cooperates with OIRA to validate the quality of economic analysis, especially when it comes to regulatory impact analyses of major new regulations. Even if there is reportedly no specific obligation to involve the CEA in this phase of the regulatory governance cycle, this has now become common practice, and shapes a very useful cooperation between two important bodies in the White House. In all these activities, the CEA emerges as a guardian of the quality, accuracy and objectivity of the economic analysis used in support of regulation. And this is increasingly key for the CEA: the objectivity and accuracy of outputs is considered as the main guarantee of the output legitimacy and overall credibility of the institution, and this in turn secured its survival over time, for more than seventy years.

69. In summary, the Council of Economic Advisers is an independent technical, highly academic body located at the centre of government, with a broad mandate to shape the direction of economic policy by advising the President and, more broadly, executive agencies on most pressing economic issues, both of macro and microeconomic nature. Its relationship to productivity is not explicit, and it seems to highly depend on the background and priorities of the Members, and in particular of the Chairman. But the Economic Report of the President, which contains the annual report of the Council, makes extensive reference to productivity and places it front and centre in the administration's priorities. As with many bodies in charge of shaping policy, what is more uncertain is the influence that the Council exerts on Congress: the interaction between the CEA and the legislative branch appears to be very limited, as the former is considered to be essentially a body in charge of advising the executive.

40. https://www.whitehouse.gov/blog/2016/02/22/2016-economic-report-president

OECD PRODUCTIVITY WORKING PAPERS

OECD Productivity Working Papers are published on oe.cd/GFP

01. *Institutions to promote pro-productivity policies: Logic and lessons*
(November 2015) by Gary Banks

02. *Frontier firms, technology diffusion and public policy: Micro evidence from OECD countries*
(November 2015) by Dan Andrews, Chiara Criscuolo and Peter N. Gal

03. *Policies for productivity growth*
(March 2015) by Chang-Tai Hsieh

04. *Could Mexico become the new "China"? Policy drivers of competitiveness and productivity*
(July 2016) by Sean M. Dougherty and Octavio R. Escobar

05. *The Best versus the rest: The global productivity slowdown, divergence across firms and the role of public policy*
(November 2016) by Dan Andrews, Chiara Criscuolo and Peter N. Gal

06. *What makes cities more productive? Agglomeration economies and the role of urban governance: Evidence from 5 OECD countries*
(February 2017) by Rudiger Ahrend, Emily Farchy, Ioannis Kaplanis and Alexander C. Lembcke